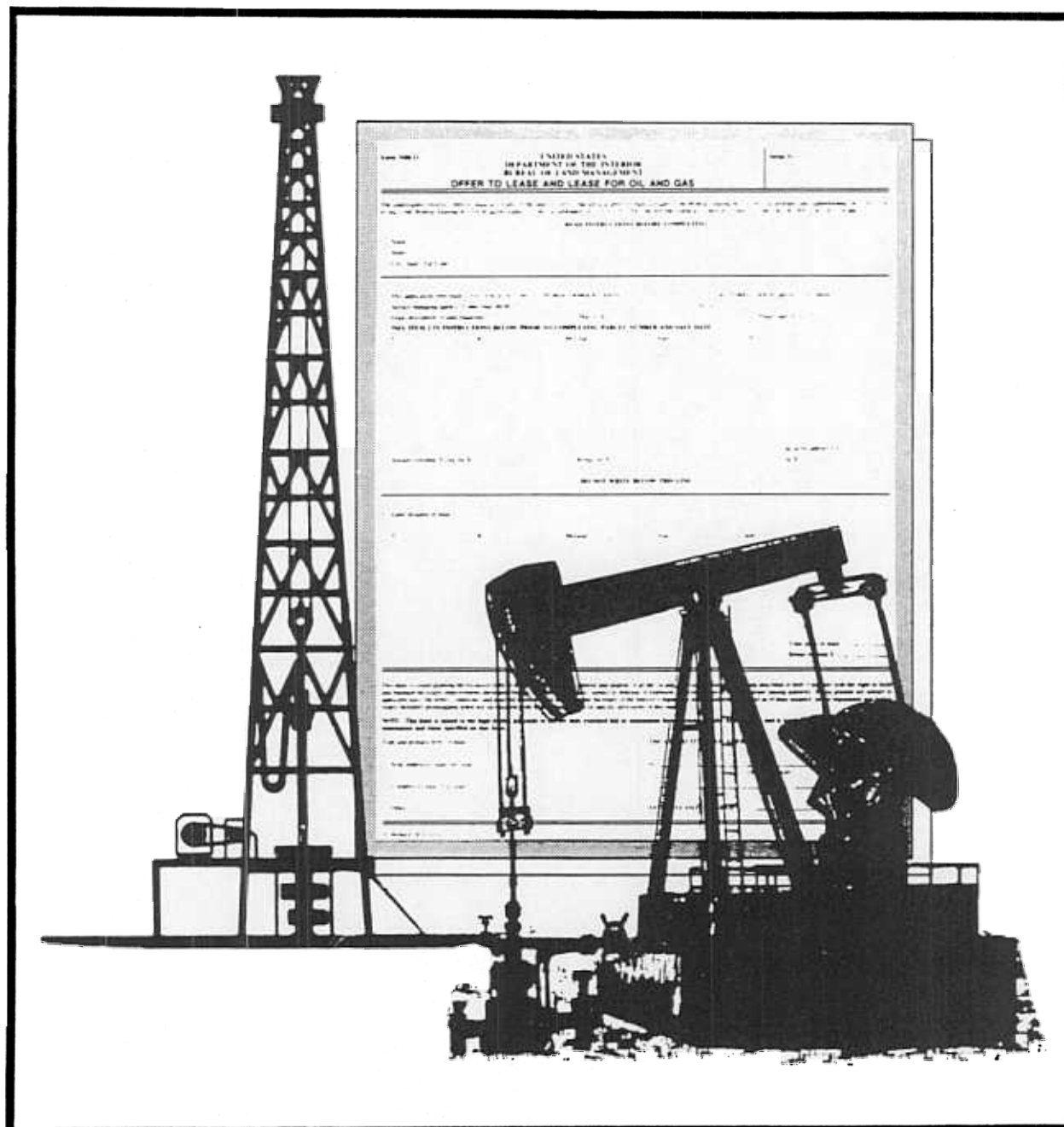




Oil and Gas Handbook

Continuation, Extension, or Renewal of Leases



BLM MANUAL HANDBOOK 3107-1

Revised 1994

H-3107-1 - CONTINUATION, EXTENSION, OR RENEWAL OF LEASES

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H-3107-1 - CONTINUATION, EXTENSION, OR RENEWAL OF LEASESIntroduction

This Handbook is designed for use in processing the extension, continuation, termination, expiration, exchange, and renewal of Federal leases. The procedures concerning Federal oil and gas leases detailed in this Handbook require close coordination between Field Office (FO) fluid mineral operations and State Office (SO) fluid lease adjudication personnel to ensure that actions affecting the term or continuation of any Federal lease as a result of field operations, such as drilling or the discovery of oil and gas in paying quantities, are promptly and correctly handled.

This Handbook generally follows the order of both the regulations found at 43 CFR Subpart 3107 and Manual Section 3107. The first portion of this Handbook addresses drilling extensions. Section II provides guidance for the FO fluid mineral operations and SO fluid lease adjudication for actions to be taken upon first production and cessation of production. Extensions of leases resulting from the formation of unit agreements and the elimination of leases in whole or part from a unit agreement or a communitization agreement (CA) are referenced in Sections III and IV of this Handbook, but the detailed guidance (including the affects on lease extensions for failure to meet the public interest requirement for a unit or CA) is contained in Handbook 3105-1 (for SO fluid lease adjudication) and Manual Section 3180 (for the FO and SO personnel supervising unit and CA operations).

Section V of this Handbook provides guidance concerning lease extensions resulting from approval of assignments and the effect of discovery of oil or gas on leases that have been subjected to partial assignments. Section VI of the Handbook cross-references Handbook 3108-1, which deals with extensions granted in connection with reinstatement of leases. Sections VII and VIII of the Handbook provide detailed guidance for processing exchange and renewal lease applications, while Section IX covers other types of lease extensions.

First production on or affecting Indian oil and gas leases and drilling and production aspects concerning lease extensions and termination of Indian leases that are under BLM FO operations supervision also are addressed in this Handbook. Sections X and XI provide the FO fluid mineral operations with general guidance in processing first production memoranda and cessation of production reports on Indian oil and gas leases and making recommendations to the Bureau of Indian Affairs (BIA).

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KeywordsI. Extension by Drilling on Federal Lands

A. General. Lease extension by drilling is only authorized for actual drilling operations that were commenced prior to and are being diligently conducted over the expiration date of the primary term of the lease. Such an extension is not available for drilling over the end of an extended term of any lease issued on or after September 2, 1960, including any extended term of a lease by reason of previous drilling extension, segregation of a lease committed in part to a unit, elimination from a unit or CA, and similar extensions. An approved suspension of operations and/or production for any period beginning before the end of the primary lease term shall serve to extend the primary term by a period equal to the period of the suspension. (See Manual Section 3103 and Handbook 3103-1.) A lease may still be eligible for a drilling extension if drilling operations are conducted over the end of the primary term even though this lease has previously been granted an extension for any other reason. However, a lease in this situation would be eligible for a drilling extension from the date of the end of the primary term, not from the date of any extended term. (See Solicitor's Opinion of May 17, 1984, at Appendix 1.) For leases issued prior to September 2, 1960, diligent drilling extensions may be earned at the end of extended terms, provided the lease has not been previously extended by production. (See Ashland Oil, Inc., et al., 79 I.D. 532 (1972).)

EXTENSION BY
DRILLING

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Keywords

B. Determination of Actual Drilling Operations. The following guidance is to be used in making the determination whether the activities of an operator constitute actual diligent drilling operations on a lease:

DETERMINATION
OF ACTUAL
DRILLING
OPERATIONS

1. Serious Effort. An essential characteristic of actual drilling operations is when such operations are conducted in a manner as to be a continuous effort (not necessarily the best effort, but a sincere effort) that an operator seriously looking for oil and gas could be expected to make in that particular area, given the existing knowledge of geologic and other factors normally considered when drilling for oil and gas. The well must be designed to test at least one potentially productive oil and gas formation, given the existing knowledge of geologic factors for the particular area. However, a lessee has the right under the terms of the lease to drill at any location on the leased lands that spacing and environmental factors in the area permit and to drill (or deepen) to any formation selected in search of oil or gas. There is no obligation on the part of the authorized officer (AO) to gather, study, or evaluate the existing knowledge of geological and other factors, or to inform the operator of the Bureau's conclusions at the time approval is given to drill (or rework). Accordingly, the approval of the Application for Permit to Drill (APD) does not indicate any determination that the proposed formation to be tested will qualify the lease for an extension by drilling. However, in cases where the AO is aware that the proposed formation will not qualify as a potentially productive formation for purposes of a drilling extension, the AO should so advise the applicant. (See Standard Oil Company of Texas, A-30137, A-30221, 71 I.D. 257 (1964).

SERIOUS EFFORT
TO DRILL

Drilling operations lacking the above characteristic cannot be deemed actual drilling operations. Actual drilling operations do not include such preparatory or preliminary work as grading roads and well sites, drilling the "rat" hole or moving equipment onto the lease. General guidelines may be set, but the official interpreting the facts in each case must use judgment within those guidelines. (See Solicitor's Opinion, M-36657, July 17, 1963, at Appendix 2, and Thelma M. Holbrook et al., A-30940, 75 I.D. 329 (1968).

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Keywords2. Verification of Drilling Operations.

Drilling operations do not have to be inspected precisely on the expiration date of the lease. Drilling operations are to be inspected prior to the lease expiration date to ensure that actual drilling has commenced. However, a signed statement from the operator, drilling contractor, or operator's onsite representative, if the drilling contractor has not personally witnessed the operations, certifying that drilling operations were commenced prior to the lease expiration date, along with supporting evidence documenting what operations took place on the last day of the primary term, can be accepted if it is not practical for the FO operations personnel to timely inspect the operations.

VERIFICATION
OF DRILLING
OPERATIONS

3. Justifiable Cause. Approved cessation of operations due to severe weather or other justifiable cause can be counted as diligent drilling for lease extension if such drilling operations were commenced before the lease expiration date and are timely resumed (as determined by the AO) and continued diligently to completion.

JUSTIFIABLE
CAUSE FOR
CESSATION OF
DRILLING
OPERATIONS

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Keywords

4. Completion Date, Testing, End of Drilling Operations. In the absence of specific approval by the AO to delay further work, if no physical or mechanical changes have occurred in the well for over 60 days, the well is to be considered completed, suspended, or temporarily abandoned, and diligent operations shall be considered as having ceased on the date that last operations were conducted on the well. When drilling operations are in progress on the last day of a lease's primary term (a lease expires at midnight on a specific date), the drilling operations must be in progress on that date and must continue thereafter until a potential target formation is penetrated. Generally, a well is considered completed after the first zone that establishes production is perforated and treated, or after such other completion methods as are standard in a field are performed and an initial production test is taken. Subsequent perforating, fracture acidizing, and testing are normally considered remedial or workover operations and are not considered as diligent drilling for purposes of lease extension. If drilling operations stopped a few hours before the moment of lease expiration, e.g., at 5:00 p.m. on May 31, 1994, and this conclusion time was not the end of the initial production test, with plugging of the hole occurring prior to the end of the 60-day period, the drilling operations on the last day of the lease's primary term would not serve to extend the lease. Extended periods of testing 60 days beyond the initial production test normally shall not qualify as diligent drilling operations. However, in a few cases, the formation depths and geologic characteristics of the area may warrant testing in excess of 60 days. Such extended periods of testing may qualify as diligent drilling operations for lease extension purposes if approved in advance by the AO. In cases of either a dry hole or nonproductive well where no production test is performed, the well is considered completed after 60 days have elapsed in which no drilling, testing, completing, or equipping operations have occurred, effective the date that such operations were last conducted on the well. If the well is plugged prior to the end of the 60-day period, the effective completion date is the date operations were last conducted on the well.

COMPLETION,
TESTING, AND
END OF
DRILLING
OPERATIONS

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Keywords

5. Down-hole Equipping. The regulations at 43 CFR 3100.0-5(g) state that actual drilling operations include "the testing, completing, or equipping of such well for production." The term equipping is interpreted to mean the equipping of the hole (casing, tubing, packers, pumps, etc.) so that it is capable of producing hydrocarbons to the surface.

DOWN-HOLE
EQUIPPING

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Keywords

C. Guidance for Drilling a New Hole. In addition to the guidance under Section I.B, above, the use of a small rig to spud and set conductor pipe or surface casing prior to or across the lease expiration date can be considered as diligent drilling operations if the casing program and hole size are appropriate for the well objective, the setting of conductor pipe or surface casing is necessary for operations in the field or area, and such operations have been approved in the APD. However, a large or full sized rig must be moved in later (within 30 days, unless otherwise approved by the AO) and must continue diligent drilling operations on the hole until a potential oil or gas formation is reached. Delays of more than 30 days must be due to reasons beyond the operator's control and must be justified to, and approved by, the AO. Preliminary activities such as grading of access roads and the drill site or moving equipment onto the lease commenced prior to the end of the primary term shall not by itself qualify as actual diligent drilling operations. (See Burton W. Hancock, 31 IBLA 18 (1977) and Michigan Oil Company, A-29828, 71 I.D. 263 (1964).)

GUIDANCE FOR
DRILLING
NEW HOLE

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KeywordsGUIDANCE FOR
DRILLING IN
PREVIOUSLY
DRILLED WELL

D. Guidance for Drilling in a Previously Drilled Well. In addition to guidance provided under Section I.B, above, operations in an old well can only be considered as actual drilling operations for purposes of lease extension if a drilling rig is on the hole and drilling the new hole over the lease expiration date. Operations in an old hole that are designed to attempt completion in a shallower zone, or that do not lead to deepening of the original hole, cannot be considered as actual drilling operations. (See Morton Oil Company, A-27392, 63 I.D. 392 (1956).) Likewise, plugging operations to abandon a previously drilled well do not constitute diligent drilling operations. The hole that is being drilled over the lease expiration date must be continued with diligence until at least one new and deeper potential oil or gas formation is penetrated. However, when continued operations in the old hole are impossible due to lost tools or other valid reasons, the skidding of the rig to a new location, in the same spacing unit, on the lease and the subsequent drilling of a new well to the objective zone or formation may be considered as diligent operations, if the new hole is diligently drilled to a potential oil or gas zone. The commencement of the subsequent drilling must normally be within 30 days of the discontinuance of operations in the old hole. Under this circumstance, the additional guidance under Section I.C, above, applies.

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Keywords

E. Diligent Drilling in Communitization and Unit Agreements. Diligent drilling of a well on a committed tract within a federally approved CA or unit shall be considered as diligent drilling for each and every committed Federal lease. However, to be considered diligent operations for such agreements and the leases committed thereto, the well must be diligently drilled to the formation covered by the CA or to a potentially productive formation covered by the unit agreement. If the well has penetrated a potential oil or gas formation that is not the communitized formation or the formation specified in the unit agreement, the lease drilling extension shall apply to the lease where the well is actually located, but not to any other leases committed to the CA or unit. Final determination of lease extension by drilling is not to be made until the public interest requirement for the CA or unit has been met. However, a preliminary report is to be submitted to the SO fluid lease adjudication as soon as possible, so it becomes aware of possible lease extensions.

DILIGENT
DRILLING IN
CA OR UNIT
AGREEMENT

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Keywords

F. Reports to SO Lease Adjudication. Where actual drilling operations are in progress over the expiration date of any lease, the AO must submit either a preliminary or final report to SO fluid lease adjudication. If it appears the drilling operation is one that a person seriously looking for oil or gas in the area could be expected to make and operations have reached a legitimate depth, i.e., a horizon that is potentially productive, a final report of diligent drilling must be made (see Illustration 1).

REPORTS TO
SO FLUID
LEASE
ADJUDICATION

If there is any question in the matter, or if a well within a communitized or unitized area has not yet reached a communitized or unitized formation or depth, the AO's report should be preliminary and indicate that operations have commenced that may result in a lease extension (see Illustration 2). After drilling operations have been completed, a final report is to be made to the SO fluid lease adjudication. Where such drilling operations cause a suspension of operations and/or production to be lifted, the report must indicate the precise date the drilling commenced or resumed and the effect on the suspension. Reports indicating that extension of a lease is warranted in accordance with 43 CFR 3107.1 need only state that actual drilling operations were conducted diligently over the expiration date of the lease. However, if a determination is made that operations were not sufficiently diligent to qualify for lease extension, the report must contain sufficient details to justify this conclusion (see Illustration 3). This report is to include the following items:

PRELIMINARY/
FINAL REPORT
OF DILIGENT
DRILLING

1. The objective formation.
2. The date drilling commenced, and the total depth and casing run at the time of recommendation.
3. Statement that formations penetrated at that depth are not considered to be potentially productive of oil and/or gas.
4. Any other appropriate information that shows that the operation does not qualify for a drilling extension under 43 CFR 3107.1.

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Keywords

G. Rental Requirements. The annual rental payment must be paid on or before the lease anniversary date for any lease anticipating an extension. (See 43 CFR 3107.1 and Oil Resources Inc., 28 IBLA 394 (1977).) Lessees should be urged to ensure that such rental payments are timely made when drilling operations to extend a lease are planned, since the lease will automatically terminate by operation of law in accordance with 30 U.S.C. 188(b) in the absence of such timely annual rental payment. While the possibility of lease reinstatement in such instances exists, the cost to the lessee shall be a considerably higher rental and royalty rate under the Class II reinstatement requirements. Reinstatement procedures are provided in Manual Section 3108 and Handbook 3108-1. If lease termination occurs, pending reinstatement of the lease, further lease development shall not be authorized, and production revenues, if any have been obtained, must be placed into an escrow account in their entirety (not just the potential royalty amount), since any drilling and production after the termination of the lease is unauthorized until reinstatement of the lease is approved.

RENTAL PAYMENT
REQUIRED FOR
DRILLING OVER
PRIMARY
LEASE TERM

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H. Adjudicative Processing - Drilling Extension

Responsible Official	Step	Action	Keywords
APD Approving Officer	1.	Notify SO lease adjudication whenever it is anticipated that drilling may be in progress over the end of the primary term of a lease. Notification to SO lease adjudication by a copy of the APD face sheet, either before or after approval of the APD, or by some other method, will ensure that the lease case is processed properly and not treated as a routine expiration.	NOTIFICATION OF POSSIBLE EXTENSION
	2.	Make the determinations necessary for leases on or for which drilling operations were progressing as soon as possible after the expiration date of a lease, following the guidance provided in the Sections I.B through I.G, above.	
	3.	Send the appropriate report to SO lease adjudication (see Illustrations 1, 2, and 3).	
	4.	If a determination is made that the operations were not diligent, see Step I.I.3, in the next section of this Handbook.	
Adjudication	5.	Receive evidence of payment of the 6th or 11th year rental from the Minerals Management Service (MMS), or other evidence that lease may be extended due to diligent drilling over the expiration date.	
Docket	7.	Charge lease case file to Adjudication.	
Adjudication	8.	Determine if sufficient rental is received and if there is any indication that the lease is eligible for an extension. If no notification from FO operations personnel has been received, request a report on diligent drilling performed on the lease or in the communitized area or unit to which the lease is committed.	VERIFICATION OF POSSIBLE EXTENSION

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Responsible Official	Step	Action	Keywords
Field Office Operations	9.	Report to SO lease adjudication any drilling operations diligently performed that allow lease to be extended. If drilling activities do not warrant lease extension, see Step I.I.1, in the next section of this Handbook.	DILIGENCE REPORT - EXTENSION GRANTED
Docket	10.	Charge lease case file to Adjudication.	
Adjudication	11.	Issue decision to lessee extending term of lease for 2 years.	DECISION EXTENDING LEASE TERM
	11a.	<u>EXAMPLE</u> : For a lease expiring May 31, 1994, the 2-year extension period begins June 1, 1994, and ends at midnight May 31, 1996 (see Illustration 4).	
	12.	Transmit copy of decision to MMS, Data Management Division (DMD), to indicate new lease expiration date.	
	12a.	If for any reason, the lease has been removed from the MMS-DMD automated system, prepare an accounting advice to reactivate the lease in the Common Reference Database (see Illustration 5).	
ALMRS Entry	13.	Update Case Recordation as follows:	AUTOMATED NOTATION
	13a.	Enter Action Date (MANDATORY ACTION CODE): Date of decision extending lease; DE 1775 Action Code 258/DE 2910 Action Code 235; Action Remarks: THRU MM/DD/YY; DIL DRLG; and	
	13b.	Enter Action Date (MANDATORY ACTION CODE): Date extended lease expires; DE 1775/2910 Action Code 763.	

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I. Adjudicative Processing - Determination of No Diligence

Responsible Official	Step	Action	Keywords
Adjudication	1.	Receive report from FO operations that lease operations are not diligently pursued or report of other noncompliance (see <u>Daisy Hook, et al.</u> , 21 IBLA 147 (1975) and Illustration 3).	NONDILIGENCE REPORT/ EXTENSION DENIED
Docket	2.	Charge lease case file to Adjudication.	
Adjudication	3.	Issue decision to lessee holding that lease expired with 30-day right of appeal (see Illustration 6).	
ALMRS Entry	4.	Update Case Recordation (if not already indicated through the BLM/MMS Automated Data Transfer process):	AUTOMATED NOTATION
	4a.	Enter Action Date (MANDATORY ACTION CODE): Date lease expired; DE 1775 Action Code 762/DE 2910 Action Code 234; Action Remarks: NO DIL DRLG.	
Adjudication	5.	After 30-day appeal period has expired, prepare accounting advice to authorize refund of rental by the MMS-DMD (see Illustration 7). If an appeal is filed, see Handbook 3100-1, Chapter 1.	RENTAL REFUND
ALMRS Entry	6.	Enter Action Date: Date refund authorized for 6th/11th year rental; DE 1775 Action Code 092/DE 2910 Action Code 379; Action Remarks: Amount; 6TH/11TH RENT.	AUTOMATED NOTATION
Adjudication	7.	Route case file for records update and competitive processing.	

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KeywordsII. Production on Federal Lands

This section of the Handbook contains procedural guidelines for leases and unit agreements and CA's that become producing, including the preparation of the first production memorandum, and guidelines for leases and CA's on which production has ceased.

EXTENSION BY
PRODUCTION

A. First Production

1. Production in Paying Quantities. The term "production in paying quantities" refers to actual lease production or the capability of lease production of oil or gas in sufficient value to exceed operation costs. In most Bureau offices, production figures of certain amounts (e.g., 75 thousand cubic feet (MCF) of natural gas or 10 barrels of oil daily) may be used to determine that a well is capable of producing in paying quantities without detailed analysis. Such standards are normally set locally based on historical economic experience for the location. Where such standards do not exist, or where the particular well location may make the application of such a standard inappropriate (e.g., a remote gas well many miles from any pipeline), or where the production tests show a potential daily production below the local standard, the AO must analyze the potential production to determine whether the well is capable of producing in paying quantities. Appropriate costs are to be deducted from the gross production income to determine profitability. Whether a well is capable of production is to be determined from the following guidelines:

PRODUCTION
IN PAYING
QUANTITIES

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KeywordsGUIDELINES FOR
DETERMINATION
OF PRODUCTION
IN PAYING
QUANTITIES

a. Costs to be included are Government royalty or minimum royalty; production payments or overriding royalties; administrative expenses, including reasonable overhead charges (not to exceed 10 percent of total operating costs); labor and repairs; certain taxes (such as State severance taxes, but excluding Federal income taxes); and other routine, ordinary costs of maintaining the lease, producing the wells, and marketing the products, such as expected ordinary expenses for workovers and equipment replacement. Minimum royalty and other annual holding costs may be applied in 12 equal parts on a monthly basis, and workover or similar expenses may be prorated over the time between such operations. The cost of capital equipment for the well operation, such as holding tanks and lateral pipelines, may be prorated over the expected well life, considering similar wells in the same vicinity. (See Kerr-McGee Oil Industries, Inc., et al., A-30481, 73 I.D. 110 (1966).) Note that paying well determinations under a unit agreement must also include the capability of the well to recover drilling and completion costs.

b. Costs to be excluded are drilling and completion costs of the well (except under a unit agreement); depreciation on equipment; and extraordinary expenses for pipeline construction, workovers, or equipment replacement resulting from unforeseen consequences such as fire or landslides.

c. For a lease to be continued by production, it must contain a well capable of producing oil and/or gas in paying quantities. This is a well that is actually in condition to produce in paying quantities. With oil wells, this normally includes all the equipment required to produce the oil from the well. Essentially, the well could produce by "throwing the switch on." The possibility that there is production in paying quantities behind the pipe for a zone that has not been completed and tested, or the possibility that further production could be obtained from the zone in which the well is completed, if that zone were treated or stimulated, are not in themselves sufficient reasons to consider the well capable of production in paying quantities. (See United Manufacturing Company et al., A-27608, 65 I.D. 106 at 111-115 (1958).)

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Keywords

d. A lease is producing in paying quantities if, under all relevant circumstances, a prudent operator would continue to operate a well for the purpose of making a profit and not merely to hold the lease for possible future use or for speculation. If the well operator begins producing the well immediately and sells the production to a refinery or a pipeline, the AO should infer that such production is in paying quantities. If the AO feels that the well is being produced solely to hold onto the lease for future use or speculation rather than to make money, a detailed analysis of the profitability is to be made before reporting the lease to be capable of production in a first production memorandum.

PRUDENT
OPERATOR
TEST

2. Date of First Production. The date a well is first capable of production in paying quantities is critical to rental or royalty obligations and is of extreme importance, in some cases, for determining whether a given lease remains valid. If the capability to produce in paying quantities occurs subsequent to lease expiration, the lessee may lose the lease and the hope for eventual profitable return from the investment in drilling the well, as discussed below.

DATE OF FIRST
PRODUCTION

The need to establish producibility prior to an expiration date becomes especially important whenever the lease involved is beyond its primary term and is not eligible for any further drilling extension. Two examples where the date of first production will be critical are: (1) the lease has previously been extended by drilling, but proved nonproductive at total depth, and the operator tries to complete the well at a shallower depth just before the end of the 2-year lease extension; and (2) a marginal well is completed in a producing unit on a lease that was eliminated from a unit by contraction and the operator must establish production before the end of the 2-year extension of the lease that resulted from the unit contraction.

FIRST PRODUCTION
FOR LEASES IN
EXTENDED TERM

H-3107-1 - CONTINUATION, EXTENSION, OR RENEWAL OF LEASES

Keywords

In such cases, the leaseholder is responsible to be aware of the need to establish production or the capability of production in paying quantities prior to lease expiration. In these situations, where the lease is beyond its primary term and is not eligible for any further extension, a well must be capable of production in paying quantities on or before the day the lease would otherwise expire. Therefore, when the AO is aware that an operator is conducting operations shortly before such a lease would otherwise expire, close monitoring of the well is appropriate to ensure that operations do not occur after the lease expiration date until the AO has determined that the well was capable of production in paying quantities prior to the expiration.

The date the well is capable of production (whether or not the well is put on line immediately for actual production) is to be indicated as the date of well completion in the first production memorandum. That date is the date used by SO fluid lease adjudication and the MMS as the effective date for conversion of the lease from a terminable (nonproducing) status to a nonterminable (producing/royalty or minimum royalty) status. For natural gas, this will ordinarily be the date that the initial production test was run, assuming the gas flows from the well naturally. However, if additional equipment, such as a pumping unit, is required for the well to be physically capable to produce, the completion date will be the date such equipment is installed and is usable.

3. First Production Memorandum. The following guidelines apply to wells on Federal oil and gas leases or communitized and unitized areas that include Federal leases or lands.

FIRST
PRODUCTION
MEMORANDUM
PREPARATION

A first production memorandum (FPM) is used to identify the completion of the first well on a lease considered to be capable of production in paying quantities where the productive zone is already known to produce hydrocarbons in paying quantities in the area (see Illustration 8). A FPM is also required upon completion of the initial well under a unit agreement or CA involving Federal lands, even if previous first production memoranda have been written for any of the individual leases committed to the agreement. The FPM is the method used to transfer leases (in whole or in part) from terminable (nonproducing) status to nonterminable (producing/royalty or minimum royalty) status.

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Keywords

The AO is responsible for monitoring new well completions or recompletions on Federal and Indian lands leases, and on unitized/communitized areas involving Federal lands. (See Sections X and XI of this Handbook for Indian lands leases.)

A FPM must be prepared promptly in all cases where Federal lands are directly involved, i.e., where the well is located on the Federal leasehold or on nonfederal lands communitized or unitized with Federal lands. Accordingly, the AO must monitor all new well completions and recompletions on Federal oil and gas leases and on nonfederal lands within all unitized or communitized areas that include Federal lands. The FPM is to contain the operator's name, well identification and location, pertinent geological data, the initial potential test data, and, if possible, a paying well determination. Within 10 days of receipt of the Well Completion or Recompletion Report and Log (Form 3160-4), prompt completion and transmittal of the FPM to the MMS-DMD is required (see Step II.A.3.e, below). The SO fluid lease adjudication also must receive a copy of the FPM to document the lease case file.

Entry of the appropriate action codes into Case Recordation also is required within 5 working days of completion of the FPM by the office that is delegated the responsibility within each BLM State. Appendix 3 provides the guidelines for entering all the production-related minimum mandatory action codes in ALMRS Case Recordation, e.g., DE 1775/2910 Action Code 643, PRODUCTION DETERMINATION; DE 1775 Action Code 644/DE 2910 Action Code 658, MEMO OF 1ST PROD-ACTUAL; DE 1775/2910 Action Code 650, HELD BY PROD-ACTUAL, etc.

a. Preliminary Determination of Paying Quantities. If the AO cannot initially determine from the initial potential test data and other available information that the well is capable of production in paying quantities, a comment to this effect is required in the "Remarks" section of the FPM. When this occurs, a supplemental report must follow within 120 days of receipt of sufficient information to determine the capability of the well. If oil is produced during testing of a well on a lease that is determined not to be capable of production in paying quantities, a notice must be sent to the MMS-DMD of the potential royalty obligation so that the MMS can set up a temporary account for such test oil or other products. In this situation, the lease account is not transferred to a minimum royalty status.

PRELIMINARY
DETERMINATION
OF PAYING
QUANTITIES

H-3107-1 - CONTINUATION, EXTENSION, OR RENEWAL OF LEASES

Keywords

b. Reporting Initial Completion in Unit or Communitized Areas. A Federal oil and gas lease may be extended past its primary term by commitment to a federally approved unit or CA if a well is completed on a committed tract that is capable of producing unitized/communitized substances in paying quantities prior to the expiration date of the lease. Production in such quantities on any committed tract within the agreement area is considered to be on or for the benefit of each committed lease. Accordingly, a FPM (see Illustration 8) must be prepared promptly after the completion of the first unit or communitized well capable of producing unitized or communitized substances in paying quantities. Even if the first production in the unit does not qualify as a well capable of producing unitized substances in paying quantities, a FPM must be prepared if the well is or may be capable of production in paying quantities on a lease basis. This is required because the Interior Board of Land Appeals (IBLA) has concluded that a well capable of production in paying quantities on a lease basis, which is completed on a committed tract within a unit agreement will extend the term of all expiring Federal leases committed to the unit agreement for the term of the agreement and/or for so long as the well is capable of production in paying quantities. (See Yates Petroleum Corp. et al., 67 IBLA 246 (1982).) For the ALMRS Entry, see Appendix 3, page 32.

INITIAL
COMPLETION
IN UNIT OR
CA AREA

YATES DECISION

c. Reporting Subsequent Completions in Unit Areas. A FPM must be prepared for any subsequent unit well completion that establishes production in paying quantities for the first time on a lease within a unit area. The FPM will serve to set up a lease account for royalty purposes prior to establishment of a participating area (PA) and place the entire lease in minimum royalty status if the well is determined to be nonpaying on a unit basis, but capable of leasehold production in paying quantities. If a PA is established, the MMS would adjust the lease account so that only the acreage being allocated production would be in minimum royalty status.

SUBSEQUENT
COMPLETION
REPORT IN
UNIT AREA

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Keywords

d. Distribution of FPM. Copies of all FPM's are distributed within both FO and SO fluid mineral operations and to SO fluid lease adjudication. The FO/SO fluid mineral operations (as delegated the responsibility within each BLM State) also is responsible for notifying the MMS-DMD, as discussed below. Intra-FO operations (or intra-SO, where not delegated) notification of first production must include all affected organizational entities. If the well is located on a lease that is located in more than one BLM District, a copy of the FPM also must be sent to all other affected District Offices. Copies of the FPM's also are distributed to other BLM offices, as appropriate or as may be requested.

DISTRIBUTION
OF FIRST
PRODUCTION
MEMORANDUM

e. Coordination with MMS-DMD. At the time each lease or agreement (communitization or unitization) becomes productive, the FO/SO fluid mineral operations (as delegated the responsibility within each BLM State) must provide a copy of the FPM to the MMS-DMD (P.O. Box 5760, Mail Stop 3112). In accordance with the requirements of the BIA/BLM/MMS Memorandum of Understanding, receipt by the MMS-DMD must occur within 10 days of receipt of the Form 3160-4 by the FO/SO fluid mineral operations. The MMS-DMD also must be provided a copy of the approval letter for unit or communitization agreements upon approval of such agreements by the AO as notification of a new approval. In those instances where there is nonunitized production within the boundaries of an agreement, the MMS-DMD must be clearly advised of these circumstances. The MMS-DMD also must be advised of any circumstances where unitized lands are communitized with nonunit lands, i.e., with lands within the unit area but not committed to the unit plan, or with lands outside but adjacent to the unit area. Also, the MMS-DMD must be provided information concerning any overlapping or concurrent unit areas, communitized areas, and unit PA's.

TRANSMITTAL
OF FIRST
PRODUCTION
MEMORANDUM
TO MMS-DMD

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B. Adjudicative Processing (First Production - Federal Leases Only)

Responsible Official	Step	Action	Keywords
Field Office Operations	1.	Provide SO lease adjudication with FPM as soon as determination is made that the initial well on the lease, or in a communitized area or unit, is capable of producing in paying quantities.	PRODUCTION EVIDENCE
Unit Operations Supervisor	2.	Provide SO lease adjudication with approval of any unit PA, showing the the effective date of the PA, and whether it is the first initial unit PA. Approval of the first initial unit PA will cause the accounts of all the previously nonproducing leases committed to the unit to be transferred from terminable (nonproducing) status to nonterminable (producing/royalty or minimum royalty) status in the MMS-DMD system. Any subsequent PA that has an earlier effective date than the first initial PA is to be highlighted, to ensure that the automated records are updated/corrected and that the MMS-DMD is advised of the correct production date.	APPROVAL OF UNIT PARTICIPATING AREA
Adjudication	3.	Order appropriate case files from Docket. The FPM's for CA's must indicate what Federal leases are affected. For initial unit wells or initial PA's, this includes all committed unit leases. For subsequently approved PA's, only the case files of the leases with lands in the PA are required for processing.	
Docket	4.	Charge case files to Adjudication.	
Adjudication	5.	Review case file or abstract to determine whether the lease has ever been subject to segregation by partial assignment; if so, the leases embracing the segregated portions of the original lease are to be extended for 2 years from the date of discovery.	EXTENSION OF SEGREGATED PORTIONS OF LEASE

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Responsible Official	Step	Action	Keywords
	6.	Make sufficient copies of the FPM for processing the other leases for extension as indicated in Step V.A.2.b, below.	
	7.	Prepare notice to lessee of transfer of lease account from terminable (nonproducing) to nonterminable (producing) status in MMS-DMD, as appropriate (see Illustration 9).	NOTICE TO LESSEE
	8.	For unitized leases, the following guidelines apply:	
	8a.	If an initial PA has been approved, the accounts for all committed leases in the entire unit area are transferred from terminable (nonproducing) to nonterminable (producing) status.	
	8b.	If an initial unit well has been completed and determined to be producible but any PA determination is still pending, the account for the lease with the well, if Federal, is transferred from terminable (nonproducing) to nonterminable (producing) status. The accounts for all other leases paying rental will remain in terminable status, with the case files suspended to ensure the leases are not terminated pending a final determination.	
	9.	<u>OPTIONAL</u> : Stamp outside of case file "PRODUCING LEASE" to indicate that lease is held by actual or allocated production, or by location in a producing unit.	
ALMRS Entry	10.	Update ALMRS Case Recordation as follows, in accordance with the current data standards:	AUTOMATED NOTATION

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Responsible

Official	Step	Action	Keywords
		Enter Action Date (MANDATORY ACTION CODE): Date of production determination (date FPM was signed); DE 1775/2910 Action Code 643; Action Remarks: Numeric tie to appropriate action code listed below (see Appendix 3); and	
		Enter Action Date (MANDATORY ACTION CODE): Date of first production on lease (see Appendix 3); DE 1775/2910 Action Code 650; and	AUTOMATED NOTATION
	10c.	Enter Action Date (MANDATORY ACTION CODE): Date of first production (actual) on lease from FPM (see Appendix 3); DE 1775 Action Code 644/DE 2910 Action Code 658; Action Remarks: Numeric tie to Action Code 643, and enter well number and, if applicable, serial number of PA or CA; <u>OR</u>	
		Enter Action Date (MANDATORY ACTION CODE): Date of first production from off-lease well (see Appendix 3); DE 1775/2910 Action Code 651; and	AUTOMATED NOTATION
		Enter Action Date (MANDATORY ACTION CODE): Date of first production (allocated) from FPM rendering lease as in producing status (see Appendix 3); DE 1775 Action Code 645/DE 2910 Action Code 660; Action Remarks: Numeric tie with Action Code 643 and enter serial number of PA or CA; <u>OR</u>	
		Enter Action Date (MANDATORY ACTION CODE): Date lease is held by location in a producing unit (lease is committed to unit but does not have actual or allocated production - see Appendix 3); DE 1775/2910 Action Code 653; and	AUTOMATED NOTATION

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Responsible

Official	Step	Action	Keywords
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Enter Action Date (MANDATORY ACTION CODE): Date lease is held by location in a producing unit (see Appendix 3); DE 1775 Action Code 654/DE 2910 Action Code 659; Action Remarks: Numeric tie with Action Code 643 and enter unit serial number; and

Enter Action Date (MANDATORY ACTION CODE): Date lease account is transferred from terminable (nonproducing) to nonterminable (producing) status, i.e., date of first production stated in FPM); DE 1775 Action Code 057/DE 2910 Action Code 102.	AUTOMATED NOTATION
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Only one of the three DE 1775/2910 Action Codes 650, 651, or 653 is to be indicated on a lease at any given time to indicate the current, primary status of production.

Docket

11. File case file with active cases.

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KeywordsC. Cessation of Production

1. General. In order for any lease to be continued beyond its fixed term by production, it must be capable of producing oil and/or gas in paying quantities or be committed to a CA or unit agreement that is capable of production in paying quantities. Therefore, the AO is responsible for monitoring monthly production reports for this purpose. Close monitoring is especially important for leases passing out of a fixed term (at the end of either the original primary term or a definite extended term) into a status where the lease term continues only because of the lease's capability to produce oil and/or gas in paying quantities.

CESSATION OF
PRODUCTION

Equally important is close review of the status of leases that have been committed to producing oil and/or gas unit agreements for some time, but that are eliminated by a unit contraction and contain marginal wells. The capacity of such leases to produce, while not critical when the lease was located within the producing unit, becomes critical upon elimination from the unit. Extended delays in processing unit contractions, such as due to workload delays or extended suspensions of drilling or production requirements, causing the processing of a contraction long after its effective date, would justify close examination of all wells within a unit area prior to the elapse of a five-year period from the earliest effective date of any approved PA.

REVIEW STATUS
OF LEASES WITH
MARGINAL WELLS
WHEN LEASES
ARE CONTRACTED
OR ELIMINATED
FROM UNITS

Leases that cannot be profitably produced due to a temporary lack of market or unusually low prices for a period of time may occasionally be shut in or granted a suspension of production to ensure their future availability. The cessation of production envisioned by the following discussion is the situation when a lease would not be capable of producing regardless of the market/unusual price conditions that are occurring. For purposes of discussion, the word "lease" in this discussion also refers to unit agreements and CA's.

Lease production for communitized or unitized areas means production from the formation that is communitized or unitized.

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Keywords

2. When Production Has Ceased. Whenever production reports indicate that a lease that previously had been producing quantities of oil and/or gas has ceased to produce, the AO must determine whether the apparent cessation of production has been caused by the depletion of the reservoir, or whether the lease is still capable of production in paying quantities but is not producing for mechanical reasons, or is shut in for other reasons.

DETERMINATION
OF REASON
FOR CESSATION
OF PRODUCTION

a. Determination That Lease is Capable of Production. Unless the information available to the AO clearly indicates that the cause of nonproduction is the depletion of the producible reserves (which would be the case when production reports reveal a clear decline in production to a level where the potential revenue would not exceed the operating costs), the AO is to infer that the lease is still capable of production, but has been shut in for valid reasons by the operator. However, if the AO believes there is no valid reason for the lease to be shut in, the operator shall be ordered to place at least one well on the lease in a producing status within 60 days of receipt of such notification in accordance with 43 CFR 3107.2-3.

DETERMINATION
THAT LEASE IS
CAPABLE OF
PRODUCTION
IN PAYING
QUANTITIES

b. Determination That Lease is Not Capable of Production. If the AO concludes from the information available that the lease may not be capable of production in paying quantities, the operator shall be advised of this conclusion and given the opportunity to show that the lease is capable of producing in paying quantities or to commence reworking or drilling operations to restore production in paying quantities to the lease (see Illustrations 10, 11, and 12). (See Max Barash et al., 6 IBLA 179 (1972).)

DETERMINATION
THAT LEASE IS
NOT CAPABLE OF
PRODUCTION
IN PAYING
QUANTITIES

The lease shall not terminate, however, if the operator can demonstrate by well test or otherwise that the lease is physically and mechanically capable of producing leasehold substances in paying quantities. When an operator requires more than 60 days to run the necessary tests or to restore production in paying quantities from the zone that previously produced, upon request, if the operator presents justifiable reasons for the extended time, the AO may permit a longer time for "mechanical repair" and/or testing in the formation(s) from which production had been occurring.

REWORKING
OR DRILLING
OPERATIONS
TO RESTORE
PRODUCTION -
REQUEST FOR
EXTENSION
OF TIME

H-3107-1 - CONTINUATION, EXTENSION, OR RENEWAL OF LEASES

Keywords

Operations to rework the well for production from another zone or the commencement of drilling operations on another well to restore production must be commenced within 60 days from the date of receipt of the letter (see Illustration 10, 11, or 12), absent an approved suspension of operations and/or production. To accomplish the demonstration or showing that the well is capable of production in paying quantities, the operator may be allowed mechanical repair work to reestablish or increase production for the well test. Although it is difficult to differentiate between "mechanical repair" and "reworking," the AO should allow any type of mechanical repair work necessary to physically reestablish or increase production from the existing productive interval during any extended period allowed for testing. Allowable mechanical repair work includes, but is not limited to, correction of any of the following: pump malfunctions, parted rods, casing leaks or collapse, and plugged screens or perforations.

REWORKING
OR DRILLING
OPERATIONS
FROM ANOTHER
ZONE OR WELL
TO RESTORE
PRODUCTION

In the absence of an acceptable showing that the lease is capable of producing in paying quantities or of reworking or drilling, the lease shall be considered terminated by operation of the law as of the date the operator receives the letter (Illustration 10, 11, or 12).

c. Unsuccessful Operations. If reworking or drilling operations are timely commenced within the 60-day period following cessation of production and are subsequently unsuccessful in restoring the lease to production in paying quantities, the lease shall terminate on the date that such operations ceased. If this date cannot be specifically determined, the AO shall assume that operations ceased on the last day of the month in which the last operations were conducted. If the operator takes no action in response to the 60-day letter, the date of last production is the date the operator received the letter.

UNSUCCESSFUL
OPERATIONS
TO BRING
WELL BACK INTO
PRODUCTION

H-3107-1 - CONTINUATION, EXTENSION, OR RENEWAL OF LEASES

Keywords

d. Operator's Notice to Abandon. If, as a result of receipt of a 60-day letter from the AO, an operator files a Notice of Intent to Abandon (NIA) a well that is currently in a nonproducing status and is the last producible well, the date of last production is to be considered the date the operator received the letter. In approving the NIA, the AO is to remind the operator of any remaining time to commence reworking or drilling operations, pursuant to 43 CFR 3107.2-2. If such operations are performed and are unsuccessful in restoring the lease to production in paying quantities, the lease shall terminate on the date such operations cease. If the date cannot be determined, the AO is to assume that operations ceased on the last day of the month in which the last operations occurred.

OPERATOR'S
NOTICE TO
ABANDON -
WELL IN
NONPRODUCING
STATUS

However, if an operator files a NIA for the last producible well on a lease before the AO informs the operator of a determination that the lease is probably not capable of producing in paying quantities, the AO shall inform the operator by certified mail that the lease will terminate as of the date of receipt of such notification unless appropriate reworking or drilling operations are commenced within 60 days of receipt of the notification to restore production to the lease.

3. When Production Has Declined.

a. Review for Production in Paying Quantities. The FO operations personnel are to review all leases routinely, especially those in or entering an extended term due to production, so that such leases and agreements can be timely terminated as required. Illustration 13 describes the method to be used in determining whether a lease remains capable of production in paying quantities. In the absence of information to the contrary, whenever an operator produces a lease on a regular or sustained basis (at least 15 days every month except when shut in for mechanical or adverse weather conditions), the AO may assume that such lease is capable of production in paying quantities. If this is the case, a detailed economic analysis normally will not be required. However, when production from a lease in its extended term by production declines to a level that clearly appears to be nonpaying, the AO shall send the operator a certified letter similar in format to that shown in Illustration 14, 15, or 16.

DECLINE IN
PRODUCTION -
REVIEW FOR
PAYING
PRODUCTION

H-3107-1 - CONTINUATION, EXTENSION, OR RENEWAL OF LEASES

Keywords

b. Unsuccessful Operations. If, within the 60-day period following receipt of the letter (Illustration 14, 15, or 16), the operator commences reworking or drilling operations timely on a lease that is continued solely by production, but those operations are not diligently pursued or the operator is unsuccessful in restoring the lease to production in paying quantities, the lease will terminate on the date that such operations ceased. If this date cannot be determined, the AO shall assume that the operations ceased on the last day of the month in which the last operations were conducted.

UNSUCCESSFUL
PRODUCTION
OPERATIONS
TO BRING WELL
BACK TO PAYING
QUANTITIES

c. Operator's Notice to Abandon. If, in response to the letter (Illustration 14, 15, or 16), an operator files a NIA to abandon the last producible well on the lease, the date of receipt of the letter by the operator is to be considered the date the lease was no longer capable of producing in paying quantities. The lease is to be considered terminated as of such date, unless reworking or drilling operations to restore production on the lease are timely commenced and diligently pursued (or unless the lease is extended as a result of the termination of an agreement).

OPERATOR'S
NOTICE TO
ABANDON LAST
PRODUCIBLE
WELL

When an operator files a NIA for a well that is currently producing and it is the last producible well on a Federal lease, and the operator has not received a letter in the format of Illustration 14, 15, or 16 for that well, the AO must inform the operator by certified mail that the lease shall terminate as of the date of receipt of such notification unless appropriate reworking or drilling operations are commenced within 60 days of receipt of the notification to restore production to the lease.

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Keywords4. When Well is Shut In.

a. Shut-in Well. For the purposes of this Handbook, a shut-in lease is defined as a lease with a nonproducing well that has been accepted by the AO as physically and mechanically capable of production in paying quantities, and is the only well or remaining well on the lease. Such a well may be shut in following its original completion (and the preparation of a FPM if it is the first completed producible well on the leasehold), such as when the well is located in an area remote from a marketing outlet. Or, a well may be shut in following a period of actual production in paying quantities of oil and/or gas, due to such factors as equipment failures, marketing rollbacks, or required balancing due to past overproduction. No lease shall be extended beyond its primary or fixed term by a shut-in well unless the AO is satisfied that the well remains capable of producing oil or gas in paying quantities based on a recent test of the well (see Illustration 13).

SHUT-IN
WELL

b. Annual Testing to Justify Continued Shut-in Status. Operators of leases in their extended term that are continued solely by reason of a shut-in well (or wells) shall be required to test at least one well on the lease every year to confirm that the lease remains capable of production in paying quantities. Further, each operator shall be required to submit data annually to show that construction of the necessary marketing facilities or marketing of the oil and/or gas is not economically feasible. At times, requiring annual one-point or four-point backpressure tests for gas wells with no pipeline connection could conflict with State orders against flaring. Under these circumstances, the AO may waive the annual test requirement where other available information indicates the well's producing capabilities. However, data must still be submitted annually to show that it is not economically feasible to construct the necessary marketing facilities. Any letter requiring the operator to perform the well test and/or to submit economic justification for continuing shut-in status shall advise that failure to perform the well test or provide sufficient economic justification will cause the BLM to assume that the lease is not capable of production in paying quantities (see Illustration 17). If the operator fails to perform the well test or does not provide economic justification, the AO shall send the operator a letter advising the operator of the 60-day reworking/drilling requirement (see 43 CFR 3107.2-2). (See Illustrations 10, 11, and 12.)

ANNUAL TESTING
TO JUSTIFY
CONTINUED
SHUT-IN STATUS

H-3107-1 - CONTINUATION, EXTENSION, OR RENEWAL OF LEASES

Keywords

c. Negative Well Test. Where the well test fails to show that the lease contains a well that is capable of production in paying quantities (see Illustration 13), the AO shall send a certified letter to the operator providing notification of the AO's determination that the lease no longer contains a well capable of production in paying quantities. The letter shall advise the operator of the right to rework or drill within 60 days of receipt of such notification, and shall indicate that failure to perform such operations shall result in lease termination, effective the date of receipt of the letter. If reworking and drilling operations commenced within the 60-day period are unsuccessful in restoring the lease to production in paying quantities, the lease shall terminate on the date that such operations cease. If the specific date cannot be determined, the AO is to assume that operations ceased on the last day of the month in which the last operations were conducted.

NEGATIVE
WELL TEST

d. Placing Lease on Production. Where the lease contains a well that has been shown by well test to be capable of production in paying quantities, the operator may be required, as previously described, to submit data that justifies allowing the well to remain shut in. However, when the AO determines that the economics justify constructing appropriate sales facilities and there is no valid reason for the well being shut in, the AO will send the operator a 60-day notice by certified mail to commence the necessary actions to place the lease on production or provide BLM additional acceptable justification for not doing so. The subsequent decision letter to terminate the lease for failure to place the lease on production must contain a statement that the lessee has the right to appeal the decision.

PLACING LEASE
ON PRODUCTION

e. Operator's Notice to Abandon. If, in response to the letter (Illustration 17), an operator files a NIA to abandon the last shut-in producible well on the lease, the date of receipt of the letter is to be considered the date the lease was no longer capable of production in paying quantities. The lease is to be considered terminated as of that date, unless reworking or drilling operations to restore production to the lease are timely commenced and diligently pursued (or unless the lease is extended as a result of the termination of an agreement).

OPERATOR'S
NOTICE TO
ABANDON LAST
SHUT-IN
PRODUCIBLE
WELL

H-3107-1 - CONTINUATION, EXTENSION, OR RENEWAL OF LEASES

Keywords

When an operator files a NIA for a well that is currently shut in and it is the last producible well on a Federal lease, and the operator has not received a letter from the AO for that well requiring tests or justification for not placing the well back into production (Illustration 17), the AO must inform the operator by certified mail that the lease will terminate as of the date of receipt of such notification unless appropriate reworking or drilling operations are commenced within 60 days of receipt of the notification to restore production to the lease.

5. Preparation of Last Production Memorandum.

Whenever the procedures described above result in a determination that the well is no longer capable of production in paying quantities, and no other production occurs on or is allocated to the lease or CA, the AO shall timely prepare a Last Production Memorandum and forward it to the MMS-DMD (P.O. Box 5760, Mail Stop 3112) and to the SO fluid lease adjudication (see Illustration 18).

LAST
PRODUCTION
MEMORANDUM

H-3107-1 - CONTINUATION, EXTENSION, OR RENEWAL OF LEASES

D. Adjudicative Processing (Last Production/Cessation of Production - Federal Leases Only)

Responsible Official	Step	Action	Keywords
Adjudication	1.	Receive Last Production Memorandum from the FO operations staff.	EVIDENCE OF CESSATION OF PRODUCTION
	2.	If the lease is not otherwise extended, and is not within its primary or other extended term, prepare decision to the lessee, with the right of appeal, holding that lease is terminated. Advise in the decision that the bond is to remain in force and effect until all rents and royalties have been paid and final abandonment of all wells, including reclamation, has been approved (see Illustration 19).	LEASE TERMINATION DECISION
	3.	Suspend case file appropriately for 30-day appeal period.	
	4.	If the lease continues in force because it is still in its primary or an extended term, prepare an appropriate decision for the lessee (see Illustration 20).	
	5.	If the lease will be extended by termination of a CA or unit, or contraction from a unit, because of cessation of production, see Handbook 3105-1, Section IV.B, for processing.	
	6.	If the lease terminated, route case file for records update and competitive leasing following the appeal period.	
ALMRS Entry	7.	Update ALMRS Case Recordation using the current data standards:	AUTOMATED NOTATION
	7a.	Enter Action Date (MANDATORY ACTION CODE): Date of last actual production (see Appendix 3); DE 1775/2910 Action Code 646; Action Remarks: Numeric tie to Action Code 643, and enter well number and, if applicable, serial number of PA or CA; <u>OR</u>	

H-3107-1 - CONTINUATION, EXTENSION, OR RENEWAL OF LEASES

Responsible

Official Step Action

Keywords

NOTE: Remove DE 1775/2910 Action
Code 650.

- 7b. Enter Action Date (MANDATORY ACTION CODE): Date of last production allocated to lease (see Appendix 3); DE 1775/2910 Action Code 647; Action Remarks: Numeric tie to Action Code 643, and enter serial number of PA or CA; and

NOTE: Remove DE 1775/2910 Action
Code 651.

Enter Action Date (MANDATORY ACTION CODE): Date memorandum of last production was signed; DE 1775/2910 Action Code 643; Action Remarks: Numeric tie to appropriate action code in Step II.D.7a or 7b, above.

AUTOMATED
NOTATION

- 7d. Enter Action Date (MANDATORY ACTION CODE): Date lease production ceased/lease moves to minimum royalty status (when applicable; see Appendix 3); DE 1775/2910 Action Code 649; Action Remarks: Minimum royalty rate per acre; and

AUTOMATED
NOTATION

- 7e. Enter Action Date (MANDATORY ACTION CODE): Date lease expires; DE 1775/2910 Action Code 763; OR

Enter Action Date (MANDATORY ACTION CODE): Date lease terminated (based on date cited in last production memorandum); DE 1775 Action Code 790/DE 2910 Action Code 244; Action Remarks: Optional; OR

AUTOMATED
NOTATION

H-3107-1 - CONTINUATION, EXTENSION, OR RENEWAL OF LEASES

Responsible

Official	Step	Action	Keywords
	7g.	Enter Action Date (MANDATORY ACTION CODE): Effective date of lease extension (if lease is extended; see Handbook 3105-1); DE 1775 Action Code 258/DE 2910 Action Code 235; Action Remarks: THRU MM/DD/YY; and	AUTOMATED NOTATION
	7h.	Enter Action Date (MANDATORY ACTION CODE): Date extended lease expires; DE 1775/2910 Action Code 763; Action Remarks: Optional.	
	<p><u>NOTE:</u> Where cessation of production results in the termination (or contraction) of a CA or unit agreement, the leases committed to the (affected portion of the) agreement are entitled to a 2-year extension. Processing of such lease extensions and the cessation of production under such leases is discussed in Handbook 3105-1.</p>		

H-3107-1 - CONTINUATION, EXTENSION, OR RENEWAL OF LEASES

III. Extension for Terms of Cooperative Agreement or Unit PlanA. Segregation and Extension of Leases Committed in Part

Responsible

Official Step ActionKeywords

See Handbook 3105-1, Section I.

UNIT
SEGREGATION
LEASE
EXTENSION

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H-3107-1 - CONTINUATION, EXTENSION, OR RENEWAL OF LEASES

IV. Extension By EliminationA. Extension for Termination of Unit/Communitization Agreements
and Unit Contractions

Responsible

Official	Step	Action	Keywords
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See Handbook 3105-1, Sections IV AND V.

UNIT/CA
TERMINATION
LEASE
EXTENSION

UNIT
CONTRACTION
LEASE
EXTENSION

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H-3107-1 - CONTINUATION, EXTENSION, OR RENEWAL OF LEASES

Keywords

V. Extension of Lease Segregated By AssignmentEXTENSION
OF LEASE
SEGREGATED BY
ASSIGNMENT

A. Discovery of Oil and Gas in Paying Quantities on Segregated Portions of Assigned Leases. Under 43 CFR 3107.5-1, any lease segregated by partial assignment, including the lease for the retained portion, shall continue in force for the primary term of the original lease, but for not less than 2 years after the date of first discovery of oil or gas in paying quantities upon any other segregated portion of the original lease. This means that the first discovery on any portion of a lease that has been subjected to a partial assignment acts to extend all other leases stemming from the original base lease for a period of 2 years from the date of discovery. The discovery triggers the extension, not the segregation alone. This extension applies regardless of whether the discovery occurred prior to or after the effective date of the assignment.

DISCOVERY
IN PAYING
QUANTITIES ON
SEGREGATED
PORTION OF
ASSIGNED LEASE
EXTENDS ALL
OTHER PORTIONS
OF ORIGINAL
LEASE

The requirement for lease extension under 43 CFR 3107.5-1 for any lease segregated by assignment is that a discovery of oil or gas in paying quantities must be made within 2 years prior to the end of the primary term of the original lease. This discovery may be on the retained portion or on any segregated portion of the original lease. All segregated portions of the lease, including the retained portion, but excepting the portion containing the drill site (that must be held by production in paying quantities if so established), are eligible for the extension by discovery.

Upon such discovery, each eligible segregated portion will continue in effect for the remainder of the primary term of the original lease at the time of the discovery, or for 2 years after the date of such discovery, whichever is the longer period. That is, a discovery in the 9th year of a 10-year lease would provide a 2-year extension from the date of discovery to the 11th year, while a discovery in the 7th year of a 10-year lease would provide no extension to the lease. (See JSC Producers, 99 IBLA 164 (1987) and Fuel Resources Development Co., 100 IBLA 37 (1987).)

H-3107-1 - CONTINUATION, EXTENSION, OR RENEWAL OF LEASES

Keywords

1. Standards for Determining Discovery. If an operator establishes that a well is capable of producing in paying quantities to the extent that the AO must prepare a FPM, the date of well completion in the FPM will ordinarily be the discovery date. The IBLA has ruled, however, that extensions of segregated leases may be appropriate even in the absence of a well completion if the evidence is clear that the well will be capable of producing in paying quantities when completed. A situation where the date will be so critical is not likely to occur frequently, but is possible when the lease on which the discovery takes place has a longer term than the lease entitled to the extension. This could occur where an extension resulting from some unitization procedure (segregation, termination or contraction) or a suspension of operations and/or production has been applied to the discovery lease but not to the other segregated lease. In any case where a lessee claims entitlement to an extension from a date earlier than the well completion date, the AO should consult Joseph I. O'Neill, Jr., et al., 1 IBLA 56, 77 I.D. 181 (1970).

STANDARDS FOR
DETERMINING
DISCOVERY
IN PAYING
QUANTITIES FOR
EXTENSIONS OF
SEGREGATED
LEASES

2. Responsibilities.

a. Field Office Fluid Mineral Operations. Because the type of lease extensions discussed in this portion of the Handbook is relatively infrequent, the FO operations staff processing the APD's and FPM's need not ordinarily be concerned with such lease extensions unless a specific situation has been brought to its attention. The possibility of such a lease extension can be detected when the Case Recordation Serial Register Page/Case Abstract is examined at the time the APD is being processed. The Serial Register Page/Case Abstract indicates whether the lease itself was created by or has been subjected to partial assignments. In such situations, the FO operations staff processing the APD's are to appropriately note the well file that other portions of the original lease may be eligible for a lease extension if a discovery is made. If the well does result in a FPM, the remarks section of the Serial Register Page/Case Abstract needs to indicate, at a minimum, that other segregated portions of the lease may be entitled to an extension for 2 years after discovery on a portion of the original lease.

FIELD OFFICE
OPERATIONS
ACTIONS

H-3107-1 - CONTINUATION, EXTENSION, OR RENEWAL OF LEASES

Keywords

b. State Office Lease Adjudication. The SO fluid lease adjudication is primarily responsible for determining which leases are to be extended pursuant to 43 CFR 3107.5-1. Receipt of any FPM on a Federal lease requires the SO lease adjudication to review and determine if the lease has been subject to a partial assignment (either been created by such an assignment or been reduced in size by a partial assignment out of the lease). (See Step II.B.5, above.) Upon such a determination, the SO lease adjudication is to identify all the leases entitled to an extension. Since some leases may have been subjected to several partial assignments, identification of all the affected leases may require considerable research of case files, abstracts, and the oil and gas plats. Once all affected leases have been identified, prepare appropriate decisions to send to the current lessees (see Illustration 21). Also prepare accounting advices for those leases in terminable (rental) status in MMS-DMD (see Illustration 22).

STATE OFFICE
ADJUDICATION
ACTIONS

DECISION
EXTENDING
LEASE TERM DUE
TO DISCOVERY

ALMRS Entry in Case Recordation also must be updated for each affected lease in the following manner:

AUTOMATED
NOTATION

Enter Action Date (MANDATORY ACTION CODE): Date of discovery on the segregated portion of lease (in most cases, this will be the well completion date); DE 1775 Action Code 258/DE 2910 Action Code 235; Action Remarks: THRU MM/DD/YY; BY ASGN; and

Enter Action Date (MANDATORY ACTION CODE): Date when extended lease expires); DE 1775/2910 Action Code 763.

c. Lessee. The lessee is responsible to be aware of any circumstances that may entitle the lease to an extension, and to make the annual rental payment timely to prevent the lease from automatically terminating by operation of law.

H-3107-1 - CONTINUATION, EXTENSION, OR RENEWAL OF LEASES

Keywords

B. Undeveloped Parts of Leases Issued Prior to September 2, 1960. When processing partial assignments of any lease issued prior to September 2, 1960, SO lease adjudication needs to be aware that the assigned and/or retained portion of the lease may be entitled to a 2-year extension from the effective date of the assignment if the lands are undeveloped and the lease is in any extended term beyond the original term of the lease. The extension authorized under 43 CFR 3107.5-2 applies only to pre-September 2, 1960, leases. When such extensions are appropriate, the affected parties are to be advised by a decision, with a copy of the decision also provided to the MMS-DMD.

UNDEVELOPED
PARTS OF
LEASES ISSUED
PRIOR TO
SEPTEMBER 2,
1960

Also, ALMRS Entry is to be updated to reflect the extension in the following manner:

AUTOMATED
NOTATION

Enter Action Date (MANDATORY ACTION CODE): Effective date of approval of assignment; DE 1775 Action Code 258/DE 2910 Action Code 235; Action Remarks: THRU MM/DD/YY; BY ASGN; and

Enter Action Date (MANDATORY ACTION CODE): Date when extended lease expires (e.g., 3-31-96, if assignment is effective 4-1-94); DE 1775/2910 Action Code 763.

H-3107-1 - CONTINUATION, EXTENSION, OR RENEWAL OF LEASES

C. Undeveloped Parts of Leases in Extended Term Because of Production. Extensions under 43 CFR 3107.5-3 apply only to leases that are in their extended term by reason of production.

Responsible

Official	Step	Action	Keywords
Adjudication	1.	Receive partial assignment on a producing lease that is beyond the end of its primary term. If the case file does not clearly indicate developed lands, request a report from the FO operations for information on undeveloped lands in the lease (see Illustration 23).	IDENTIFY UNDEVELOPED LANDS
	2.	If production is on both the assigned and retained portions, an extension does not apply, since there are no undeveloped portions of the lease involved. If the segregated lease has already benefited from an extension under 43 CFR 3107.5-2, an extension does not apply.	EXTENSIONS PARTIAL ASSIGNMENT
	3.	If either the assigned or retained portion of the lease contains undeveloped lands, prepare a decision showing extension (see Illustration 24). If the assigned portion contains undeveloped lands, note on the face of the assignment: "43 CFR 3107.5-3 rules extend this lease through <u>(Date)</u> ."	DECISION - PARTIAL ASSIGNMENT PRODUCING LEASE
	4.	Provide a copy of the decision for the lease being extended to the MMS-DMD. Since the lease account, prior to its segregation by the assignment, should have been in a nonterminable status in the MMS Common Reference Database, all data needed by the MMS-DMD is to be indicated in the decision so that the appropriate billing and rental accounting information for the segregated lease will occur in the MMS-DMD automated system.	COPY OF DECISION OF PARTIAL ASSIGNMENT AND LEASE EXTENSION TO MMS-DMD

EXAMPLE: If the assignment is approved effective 5-1-94, the lease extension is through 4-30-96.

H-3107-1 - CONTINUATION, EXTENSION, OR RENEWAL OF LEASES

Responsible Official	Step	Action	Keywords
ALMRS Entry	5.	Update Case Recordation as follows:	AUTOMATED NOTATION
	5a.	Enter Action Date (MANDATORY ACTION CODE): Effective date of assignment approval; DE 1775 Action Code 258/DE 2910 Action Code 235; Action Remarks: THRU MM/DD/YY; BY ASGN; and	
	5b.	Enter Action Date (MANDATORY ACTION CODE): Date extended lease will expire (e.g., 3-31-96, if the assignment is effective 4-1-94); DE 1775/2910 Action Code 763.	
Adjudication	6.	Continue processing assignment under the procedures described in Handbook 3106-1.	

H-3107-1 - CONTINUATION, EXTENSION, OR RENEWAL OF LEASES**VI. Extension Of Reinstated Lease**

Responsible

<u>Official</u>	<u>Step</u>	<u>Action</u>	<u>Keywords</u>
See Manual Section 3107.6 and Handbook 3108-1.			REINSTATED LEASE EXTENSION

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H-3107-1 - CONTINUATION, EXTENSION, OR RENEWAL OF LEASES

KeywordsVII. Exchange Leases - 20-Year TermA. General

Any lease that issued for a term of 20 years or any renewal thereof, or any lease that issued in exchange for a 20-year lease issued prior to August 8, 1946, may be exchanged for a new lease. Such an exchange lease shall have a primary term of 5 years, and so long thereafter as oil or gas is produced in paying quantities, and shall have a royalty rate of not less than 12½ percent. The annual rental rate shall be \$2 per acre or fraction thereof. For example, a renewal lease being held by a producing unit agreement that otherwise would terminate due to cessation of production from the unit, may be exchanged for a new lease with a term of 5 years so long as the application for the exchange lease is filed prior to the termination of the unit. (For a general overview of exchange leases, see Richfield Oil Corporation, 66 I.D. 292 (1959).) Process the exchange application as described in Section VII.B, below.

EXCHANGE
LEASES

H-3107-1 - CONTINUATION, EXTENSION, OR RENEWAL OF LEASES

B. Processing Application for Exchange Lease

Responsible Official	Step	Action	Keywords
Receiving Official	1.	Receive application for exchange lease. Route to Adjudication through Docket and ALMRS Entry.	EXCHANGE LEASE APPLICATION RECEIVED
ALMRS Entry	2.	Enter Action Date (MANDATORY ACTION CODE): Date application for exchange lease is received; DE 1775 Action Code 001/DE 2910 Action Code 124.	AUTOMATED NOTATION
Adjudication	3.	Examine application for compliance with the following:	EXCHANGE LEASE REQUIREMENTS
	3a.	Three copies of application.	
	3b.	Proper execution by record title holder(s).	
	3c.	Payment of \$75 filing fee	
	3d.	Showing as to full compliance with terms of lease and applicable regulations.	
	4.	Transmit copy of application to the FO operations staff and ask for a report.	FIELD OFFICE OPERATIONS REPORT
	5.	If lease is in producing status, obtain lease account information from the MMS-DMD automated system.	
	6.	Upon receipt of favorable reports from FO operations and MMS, prepare decision to applicant transmitting lease forms for execution, in triplicate.	TRANSMITTAL OF LEASE FORMS
	7.	If a bond is required, request new bond or consent of surety to the extension of the bond liability to cover the terms of the exchange lease.	BOND REQUIREMENT

H-3107-1 - CONTINUATION, EXTENSION, OR RENEWAL OF LEASES

Responsible Official	Step	Action	Keywords
		<p><u>NOTE:</u> Exchange lease is to be prepared on Form 3100-11. The words "Exchange Lease" are entered after "Other" at the bottom of the lease form; "Sec. 17(a) of the Act of August 8, 1946" is to be inserted above Item 1 of the form. Ensure that rental rate is \$2 per acre (see 43 CFR 3103.2-2(b)(3)). The royalty rate for an exchange lease is 12½ percent (see 43 CFR 3103.3-1(a)(1)). The term of an exchange lease is 5 years and so long thereafter as oil or gas is produced in paying quantities.</p>	<p>LEASE FORM PREPARATION</p> <p>RENTAL AND ROYALTY RATES</p> <p>LEASE TERM</p>
	8.	Examine lease forms returned by the applicant for proper execution.	
	9.	Date an exchange lease the first day of the month following the date it is signed by the AO, except that upon prior request of the lessee, the lease may be dated the first day of the month in which it is executed.	DATING OF LEASE
	10.	Complete accounting advice for MMS-DMD.	ACCOUNTING ADVICE - EXCHANGE LEASE
ALMRS Entry	11.	Update Case Recordation in accordance with the current data standards (see Appendix 4 and Illustration 25).	AUTOMATED NOTATION
		Enter Action Date (MANDATORY ACTION CODE): Date lease signed by AO; DE 1775 Action Code 176/DE 2910 Action Code 237.	
		Enter Action Date (MANDATORY ACTION CODE): Effective date of exchange lease; DE 1775 Action Code 225/DE 2910 Action Code 868.	

H-3107-1 - CONTINUATION, EXTENSION, OR RENEWAL OF LEASES

Responsible

Official	Step	Action	Keywords
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11c. Enter Action Date (MANDATORY ACTION CODE): Enter 12½ percent royalty rate; DE 1775 Action Code 102/DE 2910 Action Code 530.

11d. Enter Action Date (MANDATORY ACTION CODE): Date lease expires in 5 Years (e.g., if lease effective date is 5/1/94, expiration date of 4/30/99 is entered); DE 1775/2910 Action Code 763.

NOTE: If necessary, also correct the lease case type to 310771 (O&G Exchange Lease - PD) (DE 2961/2912).

Docket

12. File case file with active cases

H-3107-1 - CONTINUATION, EXTENSION, OR RENEWAL OF LEASES

KeywordsVIII. Renewal LeasesA. General

Prior to an amendment to Section 31(g) of the Mineral Leasing Act (MLA), enacted on November 15, 1990, a 20-year lease or renewal thereof could be renewed for successive periods of 10 years. Failure of the lessee to timely apply for renewal of such a 20-year lease or renewal lease results in the expiration of the lease even though there is an existing producing well on the lease. Such a renewal lease was not held by production prior to the 1990 amendment to the MLA (see Peacock Oil Company, Inc., Twin Arrow Inc., 29 IBLA 74 (1977)).

RENEWAL
LEASES

Renewal leases are those leases that were issued under the MLA for 20 years with a right to renew for successive 10-year terms under such reasonable terms and conditions as prescribed by the Secretary of the Interior. The principal remaining renewal leases result from Section 14 of the MLA. However, 20-year leases also were created by Sections 18, 18a, and 19 of the MLA. With the enactment of the MLA amendment of August 21, 1935, the issuance of prospecting permits terminated. The issuance of Section 14 leases was limited to those who already held prospecting permits at the time of the 1935 amendment.

The 1990 amendment requires that any lease issued pursuant to Section 14 of the MLA shall, upon its renewal on or after November 15, 1990, continue for 20 years and so long thereafter as oil or gas is produced in paying quantities. Accordingly, any 20-year lease or renewal lease that has an expiration date after November 15, 1990, is eligible for renewal only under the provisions of the new law, i.e., for 20 years and so long thereafter as oil and gas is produced in paying quantities. Thus, if a lease is renewed pursuant to the 1990 amendment and it is not producing oil or gas at the end of its 20-year renewal term, it will terminate.

1990 AMENDMENT
TO MINERAL
LEASING ACT
CHANGED RENEWAL
LEASE TERM

Prior to the 1990 MLA amendment, Section 14 renewal leases were not eligible for the Class II lease reinstatement provisions of Title IV of the Federal Oil and Gas Royalty Management Act of 1982. The 1990 MLA amendment allowed Class II lease reinstatements for Section 14 leases (but not for any remaining Section 18 leases). When a Section 14 renewal lease is reinstated under either the Class I or Class II provisions, the lease term shall be for 20 years and so long thereafter as oil or gas is produced in paying quantities. (For lease reinstatement procedures, see Handbook 3108-1.)

RENEWAL LEASES
ELIGIBLE FOR
CLASS II LEASE
REINSTATEMENT

H-3107-1 - CONTINUATION, EXTENSION, OR RENEWAL OF LEASES

Keywords

Although a renewal lease application should be filed at least 90 days prior to expiration of the existing lease, a late application for renewal after the lease has expired ordinarily should be processed, i.e., the requirement that such an application be timely filed not more than 6 months prior to expiration of the lease, but at least 90 days prior to lease expiration, is now permissive (see T & M Corp., Larry G. McLatchy, 70 IBLA 366 (1983)).

LATE RENEWAL
APPLICATION
ACCEPTABLE

If the lands have not been withdrawn from leasing, the oil and gas lessee has a preference right over other parties to receive a renewal lease. However, the existing lessee has no absolute or unconditional right to a renewal lease because the Secretary of the Interior may exercise discretion in deciding whether to continue leasing the lands involved. However, once a renewal lease application has been filed, the existing renewal lease with its terms and conditions is preserved, in accordance with Section 9 of the Administrative Procedure Act, until the authorized officer decides whether to issue a renewal lease or deny the application (see Solicitor's Opinion M-36943, 89 I.D. 173 (1982)).

PREFERENCE
RIGHT TO A
RENEWAL LEASE
IS NOT AN
UNCONDITIONAL
RIGHT TO A
LEASE

At the time a renewal lease is issued, the Bureau shall revise the lease terms and conditions. Stipulations for existing laws, such as the Endangered Species Act and the National Historic Preservation Act, do not need to be attached to the lease since such requirements are covered by language in the lease Form 3100-11 that requires compliance with laws, regulations, and orders promulgated. The renewal lease shall be issued promptly with a stipulation, if needed, making the lease subject to reasonable terms and conditions that may be established in the future pending completion of planning/NEPA documents. This stipulation will reserve the right of the Federal Government to set additional stipulations, as long as the lessee expressly consents to this provision to be bound by those reasonable terms and conditions. (See Manual Section 3101.)

RENEWAL
LEASE
WITH REVISED
TERMS AND
CONDITIONS

H-3107-1 - CONTINUATION, EXTENSION, OR RENEWAL OF LEASES

B. Processing Application for Renewal Lease

Responsible Official	Step	Action	Keywords
Receiving Official	1.	Receive application for renewal.	RENEWAL LEASE APPLICATION RECEIVED
ALMRS Entry	2.	Enter Action Date (MANDATORY ACTION CODE): Date renewal lease application received; DE 1775 Action Code 622/DE 2910 Action Code 314.	AUTOMATED NOTATION
Adjudication	3.	Examine application for compliance with the following to determine if lease is entitled to a renewal:	RENEWAL LEASE REQUIREMENTS
	3a.	Three copies of application.	
	3b.	Timely filed and accompanied by \$75 filing fee.	
		<p><u>NOTE:</u> Application should be filed at least 90 days, but not more than 6 months prior to expiration of lease term. The IBLA, however, has determined that late renewal lease applications ordinarily should be processed. (See <u>T & M Corp., Larry G. McLatchy, 70 IBLA 366 (1983).</u>)</p>	
	3c.	Proper execution by record title holder. The operator may join or consent to execution.	
	3d.	Showing that all monies due have been paid and whether operations have been conducted in accordance with the regulations.	
	3e.	Submission, in triplicate, of overriding royalty or production payments not previously filed (see 43 CFR 3107.8-1(b)).	

H-3107-1 - CONTINUATION, EXTENSION, OR RENEWAL OF LEASES

Responsible Official	Step	Action	Keywords
	4.	Check whether lease is committed to a unit agreement.	UNITIZED RENEWAL LEASE
	4a.	If a lease is committed to a unit agreement at the time of expiration of its 20-year term or 10-year renewal term, it is not entitled to another renewal, but is continued in force and made coterminous with the unit. Upon termination of the unit agreement, the lease is eligible for a 2-year extension that supersedes the provision of the lease for successive 10-year renewals. (See <u>Texaco Inc.</u> , 76 I.D. 196 (1969) and <u>Anne Burnett Tandy et al.</u> , 33 IBLA 106 (1977).)	
	4b.	When a 20-year lease committed to a unit prior to the end of the lease's initial term and, thus, extended by the unit beyond the original lease term, is eliminated from the unit, the 20-year lease's term is automatically extended 2 years, and such lease is not eligible for further renewal. (See <u>Marathon Oil Company et al.</u> , 19 IBLA 1 (1975).)	
	4c.	A 20-year lease, in a 10-year renewal term, committed to and then eliminated from a unit prior to expiration of the lease's term, so that the lease is not part of a unit at the end of the lease term, is entitled to another renewal. (See <u>Omaha National Bank, Yates Petroleum Corp.</u> , 11 IBLA 174 (1973).)	
	5.	If a renewal lease is committed to a CA at the time of lease expiration, the lease is eligible for a 2-year extension upon termination of the CA, and is held by production if the production was established prior to the expiration of the 2-year lease extension period.	

H-3107-1 - CONTINUATION, EXTENSION, OR RENEWAL OF LEASES

Responsible Official	Step	Action	Keywords
	6.	Transmit one copy of application (with a copy of each agreement providing for overriding royalties and payments out of production not previously filed) to the FO operations requesting a report and recommendations on renewal of lease	
	7.	If the lease is in a producing status, check the MMS Business Information System (BIS) for any unpaid assessments for royalty or other monies due. If the account is delinquent, the lease shall not be renewed until the MMS reports to the BLM that the account deficiency has been rectified or the BIS screens indicate that the lease no longer has an arrearage in payments.	LEASE ACCOUNT STATUS
Field Office Operations	8.	Determine whether any operational conditions on leasehold require correction prior to renewal. If correction is needed, notify operator what actions must be taken before lease renewal will be granted. Send a copy of any such notice to SO fluid lease adjudication.	
	9.	Determine if any new stipulations are required on the renewal lease in accordance with latest approved planning decisions. While the right of renewal of such a lease is nearly absolute, the operator may be required to conform operations to current requirements (for example, a revised land-use plan) as a condition of such lease renewal.	REVIEW FOR ENVIRONMENTAL STIPULATIONS
	10.	Determine if overriding royalties and payments out of production in excess of 5 percent of gross production constitute a burden on lease operations that may lead to premature abandonment. The renewal lease application should be suspended until any excess overriding royalties/payments out of production are reduced to be not more than 5 percent of the value of production.	EXCESSIVE OVERRIDING ROYALTY

H-3107-1 - CONTINUATION, EXTENSION, OR RENEWAL OF LEASES

Responsible

Official	Step	Action	Keywords
		<p><u>NOTE:</u> If a mutually fair and equitable agreement by the parties to suspend excessive overriding royalties cannot be entered into, any of the parties may request that a hearing be conducted by the AO, at which time all interested parties may present statements (with written copies of such statements also provided). After the hearing, the AO shall issue a decision outlining the acceptable base conditions for a fair and reasonable adjustment. If, within a fixed period of time, proof is not submitted that such an adjustment has been effected, the application for lease renewal must be denied (see 43 CFR 3107.8-3(b)).</p>	
	11.	Transmit recommendations concerning renewal of the lease to SO fluid lease adjudication for notification to the lessee.	FIELD OFFICE OPERATIONS REPORT
Adjudication	12.	If the FO operations report is favorable and the lease does not have any delinquent MMS payments owed, as indicated on the BIS screens, prepare a decision to the applicant transmitting, in triplicate, the lease forms and stipulations (see Section VIII.A, above), and require a bond or consent of surety to the lease renewal, if necessary (see Illustration 26). A consent of surety is not required if the bond contains a provision for coverage for the extension or continuation of the lease or if the lessee has an applicable statewide or nationwide bond (see Handbook 3104-1).	TRANSMITTAL OF LEASE FORMS BOND REQUIREMENT

H-3107-1 - CONTINUATION, EXTENSION, OR RENEWAL OF LEASES

Responsible Official	Step	Action	Keywords
		Use lease Form 3100-11 to issue lease. On leases receiving a second or subsequent renewal, the effective date will be the first day of the month following the expiration of the prior lease. On leases that have just reached the end of their 20-year primary term (due to very lengthy suspensions of operation) and are being renewed for the first time, e.g., a lease expiring 4-25-94, the effective renewal lease date would be 4-1-94.	LEASE FORM PREPARATION
	13a.	Insert the words "Renewal Lease (20 years and so long thereafter as producing oil or gas in paying quantities)" at the bottom of the lease form after "Other." Ensure that the rental rate is \$2 per acre (see 43 CFR 3103.2-2(b)(3)). The royalty rate for a renewal lease is 12½ percent regardless of the rate of the original lease (see 43 CFR 3103.3-1(a)(1)).	LEASE TERM RENTAL AND ROYALTY RATES
		If the effective date of the renewal lease is prior to the expiration date of the original lease, the following must be inserted on the reverse side of the lease form under "Sec. 2. Royalties," (or on an attachment to the lease): "To and including <u>(the expiration date of the original lease)</u> , the royalties to be paid hereunder shall be computed on the basis of the royalties prescribed in the original lease."	DATING OF LEASE
	15.	Examine that all copies of the lease forms returned by the applicant have been properly executed.	
		If lease is not producing, complete accounting advice (see Illustration 27).	ACCOUNTING ADVICE - RENEWAL LEASE

H-3107-1 - CONTINUATION, EXTENSION, OR RENEWAL OF LEASES

Responsible Official	Step	Action	Keywords
ALMRS Entry	17.	Update Case Recordation using current data standards (see Illustration 28). Enter Action Date (MANDATORY ACTION CODE): Date lease signed by AO; DE 1775 Action Code 176/DE 2910 Action Code 237; and Enter Action Date (MANDATORY ACTION CODE): Date lease renewed; DE 1775 Action Code 623/DE 2910 Action Code 242; Action Remarks: THRU MM/DD/YY; and	AUTOMATED NOTATION
	17c.	Enter Action Date (MANDATORY ACTION CODE): Effective date of renewal lease; DE 1775 Action Code 225/DE 2910 Action Code 868; and Enter Action Date (MANDATORY ACTION CODE): Enter 12½ percent royalty rate; DE 1775 Action Code 102/DE 2910 Action Code 530; and Enter Action Date (MANDATORY ACTION CODE): Date renewal lease expires; DE 1775/2910 Action Code 763.	
		<u>NOTE:</u> If lease had been renewed previously, remove prior Action Code 763 entry before entering updated renewal lease action entries. Also, if necessary, correct the case type to 310781, O&G Renewal Lease - PD (DE 2961/2912).	
Docket	18.	File case file with active files.	

H-3107-1 - CONTINUATION, EXTENSION, OR RENEWAL OF LEASES

IX. Other TypesA. Extension for Discontinuance of Compensatory Royalty Payments

Responsible Official	Step	Action	Keywords
Adjudication	1.	Receive notification from MMS that compensatory royalty payments on lease have been discontinued, or notification from the FO operations that an assessment has terminated.	DISCONTINUANCE OF ASSESSMENTS
Docket	2.	Charge case file to Adjudication.	
Adjudication	3.	Prepare decision to lessee extending term of lease for 1 year from date of the discontinuance of compensatory royalty payments (see Illustration 29).	LEASE EXTENSION
Adjudication	4.	Provide a copy of the decision to the MMS-DMD.	
ALMRS Entry	5.	Update Case Recordation:	AUTOMATED NOTATION
	5a.	Enter Action Date (MANDATORY ACTION CODE): Date lease is extended (date of cessation of compensatory royalty payment; DE 1775 Action Code 258/DE 2910 Action Code 235; Action Remarks: THRU MM/DD/YY; BY CESS.COMP.RLTY.	
	5b.	Enter Action Date (MANDATORY ACTION CODE): Date extended lease expires; DE 1775/2910 Action Code 763.	
	5c.	If the lease account is returned to terminable (nonproducing) status from nonterminable (producing) status - Enter Action Date (MANDATORY ACTION CODE): Date lease account changed from nonterminable to terminable status; DE 1775/2910 Action Code 058; Action Remarks: Optional.	
Docket	6.	File case file with active cases.	

H-3107-1 - CONTINUATION, EXTENSION, OR RENEWAL OF LEASES

B. Extension for Leases in Agreements for Subsurface Storage of Oil and Gas

As provided by 43 CFR 3105.5-4, any lease used for the subsurface storage of oil or gas is extended for the period of storage under an approved agreement.

Responsible

<u>Official</u>	<u>Step</u>	<u>Action</u>	<u>Keywords</u>
		See Manual Section 3107.8, and Handbook 3105-1 for processing leases affected by approval of such agreements.	LEASE EXTENSIONS FOR SUBSURFACE STORAGE OF OIL OR GAS

H-3107-1 - CONTINUATION, EXTENSION, OR RENEWAL OF LEASES

KeywordsX. Reporting First Production on or Affecting Indian LandsFIRST
PRODUCTION ON
INDIAN LEASES

The FPM's for Indian leases are prepared the same as for Federal leases with the addition of sending copies to the appropriate BIA office or offices (see Illustration 30).

Reverse Side Intentionally Blank

H-3107-1 - CONTINUATION, EXTENSION, OR RENEWAL OF LEASES

KeywordsXI. Extension and Termination of Indian Leases

The BIA makes the final determination for extension and termination of Indian oil and gas leases. The following guidelines are to be used by the BLM in making these recommendations to the BIA. These guidelines are general since the terms of individual Indian oil and gas leases vary. In cases where the following provisions conflict with specific lease terms, the lease terms shall prevail.

A. Extension/Continuation.EXTENSION/
CONTINUATION
OF INDIAN
LEASES

1. Individual Leases. Generally, Indian leases are continued past their primary term only for as long as oil or gas is actually produced in paying quantities. This means that if production in paying quantities is commenced prior to the expiration of the primary term of the lease, the lease will continue in effect until such production ceases. However, some Indian leases contain provisions that require that all acreage and formations not actually producing on a lease terminate at the expiration of the primary term of the lease. Unlike a Federal lease, an Indian lease normally shall not be extended/continued by reason of a shut-in well or by reworking or new drilling operations. Some Indian leases, however, provide that the lease will continue by drilling operations that are commenced during the primary term and are continued with diligence until the well is completed to production or is abandoned. The lessees also may request approval a suspension of production requirements during the period of nonproduction in order to conduct remedial workover operations, or approval to shut in wells for economic or marketing reasons. Since the statutory authority and BIA regulations currently do not provide for any suspension of production, the BLM AO needs to review the request to shut in the well or the request for a suspension of production and submit recommendations to the BIA for its determination whether to grant the request of the operator.

2. Leases Committed to Communitization Agreement.

Allocation of production under a CA is considered as production under the lease for extension purposes. However, the well must meet the same conditions specified in the preceding paragraph for lease extension or continuation.

H-3107-1 - CONTINUATION, EXTENSION, OR RENEWAL OF LEASES

KeywordsB. Termination/Expiration.TERMINATION/
EXPIRATION OF
INDIAN LEASES

1. Cessation of Production on a Lease. When the BLM AO finds a cessation of production for a calendar month from an Indian lease that is in its extended term by reason of such production, the BLM AO needs to review the lease or contract terms to determine the requirements and/or penalties for nonproduction. If no requirements and/or penalties are specified, the operator is to be contacted to determine if the well is back on production, whether production is depleted, whether production has been suspended without approval for a calendar month or more, and/or whether a request for suspension of production requirements has been made to the BLM AO. If the cessation of production exceeds a calendar month and no application for suspension of production has been submitted to the BLM AO, the lease is considered to have expired the last day of production. If a request for a suspension of production has been approved by the BIA, based on recommendations made by the BLM AO, but the remedial workover operations have not been conducted with reasonable diligence, or the remedial workover operations under the approved suspension have been unsuccessful in restoring production to the lease, the lease is considered to have expired the last day in which the operations were conducted. In these cases, the BLM AO must notify the BIA of such a situation by memorandum (see Illustration 31). If the date of last production/operations cannot be determined, it will be considered to be the last day of the month in which the well last produced/operated.

2. Termination of Communitization Agreement. When production ceases from a communitized area involving Indian leases, the BLM AO is to send a memorandum, similar to that shown in Illustration 31, recommending to the BIA that the CA be terminated for nonproduction, and request the BIA to inform the BLM AO of BIA's action. The BIA/BLM/MMS Memorandum of Understanding indicates that the BIA will terminate the CA and inform the operator accordingly. When notification is received from the BIA that the CA has terminated, the BLM file is to be closed.

H-3107-1 - CONTINUATION, EXTENSION, OR RENEWAL OF LEASES

Glossary of Terms

- A -

actual drilling operations: the drilling of a well with drilling equipment to a potentially productive oil or gas horizon starting with spudding. This definition does not include such preparatory or preliminary work as grading roads and the well site, moving or rigging up equipment, or drilling the "rat" hole. While the phrase "actual drilling operations" also includes the necessary testing, completing, or equipping of a well, it cannot be construed as having the same meaning as "reworking operations". Within the oil and gas industry, the common usage of the phrase "drilling operations" refers to the actual drilling and completion of a hole with a string of drill tools and could include swabbing, bailing, sand fracturing, etc., as operations.

C

continuation by production: the status of a lease after the primary or any definite extended term has passed and during which the lease has a well capable of producing oil or gas in paying quantities. However, both in common usage and in case law, this period is also often referred to as an extension by production. In the case of a lease eliminated from a storage agreement, the continuation of the lease must be by production of oil or gas not previously produced.

cost of marketing the product: the normal or usual handling, treating, measurement, and transportation costs that an operator could be expected to pay to handle the leasehold production to the point of sale. Such costs would not include abnormal or unreasonable charges, such as reconstruction of a pipeline destroyed by fire, or a landslide, or purchase of a truck.

D

date of completion: date the well is capable of production in paying quantities and is equipped to produce hydrocarbons to the surface.

diligent operations to restore paying production: operations that are conducted in such a manner as to be bona fide efforts which a prudent operator would be expected to make to restore paying production to the leasehold or communitized area. Generally, no more than 60 days can elapse between cessation of one operation and commencement of another in order to qualify as reasonable diligence.

H-3107-1 - CONTINUATION, EXTENSION, OR RENEWAL OF LEASES

E

expiration: the lapsing or end of a lease by nonoperational conditions, such as the end of the primary or any extended term, or for failure to comply with a 60-day notice to produce from a lease which is capable of production. Both in common usage and in case law, the word "expiration" often is used interchangeably with the word "termination." (See "termination.")

extension: normally any period of a lease after the primary term during which the lease continues for reasons other than capability of production in paying quantities. However, the continuation of a lease after the primary term by reason of production is often referred to as an extension by production, both in common usage and in case law. Extensions are normally for a specific period of time. Extensions are granted for operational reasons related to drilling and production conditions as described in this Handbook Section and Manual Section 3180, and for nonoperational conditions as described in Manual Sections 3103 and 3105.

F -

first production memorandum: a memorandum prepared after a well is completed for oil and/or gas production, which represents the first production, actual or allocated, from the respective lease, unit, or communitization agreement. The memorandum is to provide the full particulars concerning the well and, if possible, the date of first production resulting from a determination that the well is capable of producing leasehold substances in paying quantities. If such a determination is not possible, a preliminary memorandum must be issued having no date of first production and commenting that a final paying well determination is pending. Once the final determination is made, a subsequent memorandum indicating a date of first production or a negative paying well determination must be submitted. A memorandum does not have to be issued for a well determined not to be capable of producing leasehold substances in paying quantities unless royalties are due for test production. A memorandum issued for test production only contains comments to the effect that the well is not capable of production in paying quantities but that test royalties are due.

G -

gross production income: all income received from the sale of leasehold production, that is, total sales value.

H-3107-1 - CONTINUATION, EXTENSION, OR RENEWAL OF LEASES

- P -

primary term: as interpreted, the Mineral Leasing Act Revision of 1960 provides two definitions of the phrase "primary term."

1. The phrase "primary term" as used in Section 4(d) of the Mineral Leasing Act Revision of 1960 covers the entire period in the life of the lease prior to the period of extension because of production. This definition is applicable to all leases issued prior to September 2, 1960, and such leases may be extended numerous times by drilling pursuant to guidelines contained in this Handbook Section if there has been no extension because of production.

2. The phrase "primary term" as used in Section 17(e) of the Mineral Leasing Act Revision of 1960 means the initial 10-year term of a noncompetitive lease and the initial 5-year term of a competitive lease, no more and no less. This definition applies to all leases issued on or after September 2, 1960. Therefore, these leases are entitled to only one 2-year extension for drilling operations commenced prior to the end of the primary term, which would be the initial 5- or 10-year term of the lease, as appropriate.

production in paying quantities: production from a lease of oil and/or gas of sufficient value to exceed direct operating costs and the cost of lease rentals or minimum royalty.

- S -

shut-in well: a well that is considered by the operator and the BLM authorized officer to be physically and mechanically capable of producing oil and/or gas in paying quantities, but is not in production because of the lack of a market due to well's remoteness or as a result of problems that require remedial action.

T -

temporarily abandoned well: a well that is no longer capable of producing oil and/or gas in paying quantities and awaits a decision to be plugged and abandoned, worked over (deepening or plugging back the well) to restore production in a new interval or to convert the well to service use, or to retain as possible useful should enhanced recovery operations be initiated.

termination: the end of a lease for failure to timely pay rentals on or before the anniversary date when due. Use of this word also is appropriate for leases continued by production and where such production is deemed to have ceased because the lease is no longer capable of producing in paying quantities and reworking or redrilling operations are not timely commenced. Both in common usage and in case law, the word "termination" often is used interchangeably with the word "expiration". (See the definition for "expiration," above.)

Format for Memorandum for Leases Entitled to Lease

Extension by Diligent Drilling



United States Department of the Interior
BUREAU OF LAND MANAGEMENT

IN REPLY REFER TO

3107 (Office Code)

Memorandum

To: State Director, (Fluid Minerals Adjudication Code)

From: Fluid Minerals Field Office Operations

Subject: Extension of Lease(s) By Diligent Drilling

Diligent drilling operations were conducted over the expiration date of the following lease(s). This office recommends extension of the lease(s) under 43 CFR 3107.1:

<u>Lease No.</u>	<u>Date of Drilling</u>	<u>Well No. & Location</u>	<u>Comm/Unit Agreement</u> (if applicable)
------------------	-------------------------	--------------------------------	---

Distribution:

H-3107-1 - CONTINUATION, EXTENSION, OR RENEWAL OF LEASES

Format for Memorandum for Leases Potentially Entitled to
Lease Extension by Diligent Drilling



United States Department of the Interior
BUREAU OF LAND MANAGEMENT

IN REPLY REFER TO

3107 (Office Code)

Memorandum

To: State Director, (Fluid Minerals Adjudication Code)
From: Fluid Minerals Field Office Operations
Subject: Potential Extension of Lease(s) By Diligent Drilling

According to information available to this office, the following lease(s) may be entitled to extension of their term because of drilling pursuant to 43 CFR 3107.1. Operations, however, have not progressed to the point where diligence may be determined.

<u>Lease No.</u>	<u>Date of Drilling</u>	<u>Well No. & Location</u>	<u>Comm/Unit Agreement</u> (if applicable)
------------------	-------------------------	--------------------------------	---

A final report will be submitted when a determination can be made.

Distribution:

H-3107-1 - CONTINUATION, EXTENSION, OR RENEWAL OF LEASES

Format for Memorandum for Leases Not Entitled to Lease

Extension Due to Nondiligent Drilling



IN REPLY REFER TO

United States Department of the Interior
BUREAU OF LAND MANAGEMENT

3107 (Office Code)

Memorandum

To: State Director, (Fluid Minerals Adjudication Code)

From: Fluid Minerals Field Office Operations

Subject: Expiration of Lease(s) - Nondiligent Drilling

Pursuant to the information available, this office has determined that the following lease(s) expired at the end of the primary term and is/are not entitled to an extension for diligent drilling under 43 CFR 3107.1.

Expiration		Comments/Rationale
Lease No.	Date	
<p>Example: While Well No. 3-33, Lot 11, Sec. 33, T. 1 N., R. 88 W., 9th P.M. was spudded two days before the end of the primary term, no further operations were pursued within 30 days after the spudding rig moved off-site and no request for an extension of time was received by this office. We have advised the operator that no further operations, other than plugging and abandonment are permissible.</p>		
<p>Example: Well No. 1-2, NW1/4, Sec. 1, T. 55 S., R. 3 E., 8th P.M., was completed as a dry hole in communitization agreement No. _____ 20 days before the lease expired. While the lessee/operator had hoped to be testing over the expiration date, initial tests were negative and a notice of intent to abandon was submitted to this office before the lease expired. Please note that the diligent drilling of this well over the preceding month was reported to you last month for <u>(Lease serial number)</u>, another Federal lease committed to the agreement. The lessee has requested that the lands in the lease within the communitized area be made available by competitive leasing as promptly as possible as it intends to drill another well in the area next summer.</p>		

Distribution:

H-3107-1 - CONTINUATION, EXTENSION, OR RENEWAL OF LEASES

Format for Decision Granting Drilling Extension



United States Department of the Interior
BUREAU OF LAND MANAGEMENT

IN REPLY, REFER TO

3107 (Office Code)
Serial No.

DECISION

Lessee(s) and Address(es)

Oil and Gas

Lease Term Extended

The following oil and gas lease is entitled to a 2-year drilling extension, because of actual diligent drilling operations conducted over the expiration date (on the leasehold) OR (on the Communitization Agreement) OR (Unit Agreement) to which the lease(s) is committed).

Pursuant to 43 CFR 3107.1, the term of the lease is extended as indicated:

<u>Lease No.</u>	<u>Lease Date</u>	<u>Comm/Unit Agreement</u> (if appropriate)	<u>Extended Through</u>
------------------	-------------------	--	-------------------------

Authorized Officer

Distribution:

Field Office Operations
MMS-DMD, Mail Stop 3110
SMA (if other than BLM)

H-3107-1 - CONTINUATION, EXTENSION, OR RENEWAL OF LEASES

Format for Accounting Advice Showing Drilling Extension

Form 1370-41
(March 1984)

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT

RECEIPT AND ACCOUNTING ADVICE

NO. 1420134 -25

Subject: REACTIVATE LEASE - EXTENSION - DILIGENT DRILLING

Applicant: ABC OIL CO
189 Main Street
Oil City, NM 87509

Remitter:

Assignor:

LEASE MANAGEMENT DATA																		
<input type="checkbox"/> NEW <input checked="" type="checkbox"/> UPDATE <input type="checkbox"/> PAYMENT																		
ORIGINAL SERIAL NO.	ASG.	TYPE	ST.	CTY.	FUND SYMBOL		ACRES/UNITS		RATE									
MTM-12345		OA	P	30	010	14	5003	160.00	1.50									
					019	14	5003	320.00	1.50									
AMOUNT	ANV. DATE	EXP. DATE	BILL CYC.	S.C.	DISTRICT	NEXT BILL	MISC. DATA	U of M	ACTUAL UNITS									
	5/1/89	4/30/96		E	MT02													
ASSIGNMENT SERIAL NO.	ASG.	TYPE	ST.	CTY.	FUND SYMBOL		ACRES/UNITS		RATE									
AMOUNT	ANV. DATE	EXP. DATE	BILL CYC.	S.C.	DISTRICT	NEXT BILL	MISC. DATA	U of M	ACTUAL UNITS									
APPLY REMITTANCE																		
ACTION	FUND SYMBOL	CTY.	AMOUNT															
FILING FEE																		
RENTAL																		
UNEARNED																		
REFUND																		
TOTAL																		
AMOUNT DUE																		
<div> <input type="checkbox"/> Lease in Escrow* <input type="checkbox"/> KGS? <input checked="" type="checkbox"/> Auto Escalates* <input type="checkbox"/> Auto Renew* </div> <div> Of Interest* Operating Rights* Operator Bond Forfeiture* </div>																		
<div> Remarks: Drilling over expiration date. Lease extended for 2 years ending 4/30/96, per decision dated 5/18/94. Earn 6th year rental. </div> <div> BY <i>Jill Donald</i> DATE 5/20/94 </div>																		
<div> FOR MMS USE ONLY <table border="1"> <tr> <td>BILLFE</td> <td>NUMBER</td> <td>FOREST REFUGE</td> </tr> <tr> <td>DOS SECTION</td> <td></td> <td></td> </tr> <tr> <td>CODE</td> <td></td> <td></td> </tr> </table> </div>										BILLFE	NUMBER	FOREST REFUGE	DOS SECTION			CODE		
BILLFE	NUMBER	FOREST REFUGE																
DOS SECTION																		
CODE																		

H-3107-1 - CONTINUATION, EXTENSION, OR RENEWAL OF LEASES

Format for Decision for Lease Expired - No

Diligent Drilling



IN REPLY REFER TO:

United States Department of the Interior
BUREAU OF LAND MANAGEMENT

3107 (Office Code)
Serial No.

CERTIFIED MAIL--RETURN RECEIPT REQUESTED

DECISION

Lessee(s) and Address(es)

:
:
:
:
:

Oil and Gas

Drilling Extension Denied
Lease Expired

Oil and gas lease (Serial number) was issued effective (Date) for
a (5/10)-year term ending (Date).

We have received the enclosed report from our (Name) District Office
advising us that the lease is not eligible for extension beyond the primary
term. The lease therefore expired (Date).

Standard appeal paragraph (see Handbook 3100-1, Chapter 1).

(Eleventh/sixth) year advance rental will be authorized for refund when all
action is final.

Authorized Officer

Enclosures
Report
Form 1842-1

Distribution:
Field Office Operations
SMA (if other than BLM)

H-3107-1 - CONTINUATION, EXTENSION, OR RENEWAL OF LEASES

Format for Decision for Lease Expired - No

Diligent Drilling



IN REPLY REFER TO:

United States Department of the Interior
BUREAU OF LAND MANAGEMENT

3107 (Office Code)
Serial No.

CERTIFIED MAIL--RETURN RECEIPT REQUESTED

DECISION

Lessee(s) and Address(es)

:
:
:
:
:

Oil and Gas

Drilling Extension Denied
Lease Expired

Oil and gas lease (Serial number) was issued effective (Date) for
a (5/10)-year term ending (Date).

We have received the enclosed report from our (Name) District Office
advising us that the lease is not eligible for extension beyond the primary
term. The lease therefore expired (Date).

Standard appeal paragraph (see Handbook 3100-1, Chapter 1).

(Eleventh/sixth) year advance rental will be authorized for refund when all
action is final.

Authorized Officer

Enclosures
Report
Form 1842-1

Distribution:
Field Office Operations
SMA (if other than BLM)

H-3107-1 - CONTINUATION, EXTENSION, OR RENEWAL OF LEASES

Format for Accounting Advice Authorizing Refund on Expired

Lease Not Extended

Form 1370-41
(March 1984)

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT
RECEIPT AND ACCOUNTING ADVICE

NO. 1420138 -25

Subject: REFUND - NO DILIGENT DRILLING OVER LEASE EXP DATE

Applicant:

Remitter:

Assignor:

LEASE MANAGEMENT DATA									
ORIGINAL SERIAL NO	ASG	TYPE	ST	CTY	FUND SYMBOL	ACRES UNITS	RATE		
MTM-88551		OA	P	30	006 14 5003	640.00	1.50		
AMOUNT	ANV DATE	EXP DATE	BILL CYC	ST	DISTRICT	NEXT BILL	MISC DATA	U of M	ACTUAL UNITS
ASSIGNMENT SERIAL NO	ASG	TYPE	ST	CTY	FUND SYMBOL	ACRES UNITS	RATE		
AMOUNT	ANV DATE	EXP DATE	BILL CYC	ST	DISTRICT	NEXT BILL	MISC DATA	U of M	ACTUAL UNITS

APPLY REMITTANCE			
ACTION	FUND SYMBOL	CTY	AMOUNT
FILING FEE			
RENTAL			
UNEARNED			
REFUND			1280.00
TOTAL			
AMOUNT DUE			

Remarks:
Refund 6th year rental tendered on April 5, 1994, for lease year beginning May 1, 1994.
Lessee failed to drill diligently over the end of the primary lease term.
Decision became final June 23, 1994.

BY *Jill Donald* DATE 6/27/94

FOR MMS USE ONLY	
DEPT	FOREST REFUGES
NUM	
DATE	

☐ Lease in Error
☐ Re-S
☒ Auto Estimates
☐ Auto Refund

Of Interest
Operating Rights
Operating
Bundled

H-3107-1 - CONTINUATION, EXTENSION, OR RENEWAL OF LEASES

Format for First Production Memorandum for Federal Lands



United States Department of the Interior
BUREAU OF LAND MANAGEMENT

IN REPLY REFER TO

3107 (Office Code)
Serial No.

Memorandum

To: State Director (Fluid Minerals Adjudication Code)
From: Fluid Minerals Field Office Operations
Subject: First Production Lease No. (or CA or unit, if applicable)

Date of Completion: (See Section II.A.2.)

Date of First Production:

Field:

Operator/Well Name/Number:

Location:

Total Depth and Surface Elevation:

Producing Formation (Show name of formation and top and bottom
and Intervals: perforation, or top and bottom of producing
interval.)

Initial Daily (Report all production including water, gas
Production: from an oil well, distillate, or condensate from
a gas well.)

Well Capable of
Production in Paying
Quantities?

Current Status: (Producing, shut in, etc.)

Remarks: (Include additional information that may be pertinent to the State
Office, other BLM offices, or MMS, including the identification of
other jurisdictional lands, leases, leases created by partial
assignment that are entitled to a 2-year extension under 43 CFR
3107.5-1, and agreements that may be affected in any manner by the
first production.

Distribution:

MMS-DMD, Mail Stop 3112
SO or DO Unit Section (if unit well)
Bordering District Offices (as appropriate)
SMA (if other than BLM)

H-3107-1 - CONTINUATION, EXTENSION, OR RENEWAL OF LEASES
Format for Notice to Lessee of Transfer of Lease Account
Due to Production



United States Department of the Interior
BUREAU OF LAND MANAGEMENT

IN REPLY REFER TO:

3107 (Office Code)
Serial No.

NOTICE

Lessee(s) and Address(es)

:
:
:
:
:

Producing Oil and Gas Lease

Lease Account Transferred

The lease account for Federal oil and gas lease (Serial number) has been transferred in the Minerals Management Service (MMS) from terminable (nonproducing) status to nonterminable (producing) status. Questions concerning payments and reports, should be directed to the MMS, Data Management Division at the address indicated below. Any lease status questions should be directed to the Bureau of Land Management (BLM) at the address indicated in the above letterhead.

Minerals Management Service
Royalty Management Program
P.O. Box 5760
Denver, CO 80217

OPTIONAL:

Reason for transfer: EXAMPLE: Acreage committed to CA (Serial number) effective (Date). Well No. 1-6 completed (Date) on Lot 4, Sec. 6, T. 140 N., R. 100 W., Unnamed Field, (State), and is located on patented lands.

Our BLM records indicate the last advance rental payment made to the MMS was for the lease year beginning (Date) through (Date). This is a courtesy notice only, to be retained for your files.

Authorized Officer

Distribution:

Field Office Operations
SMA (if other than BLM)

H-3107-1 - CONTINUATION, EXTENSION, OR RENEWAL OF LEASES

Format for Letter Informing Operator of Cessation of
Production for a Lease When Authorized Officer Determines
Lease is Not Capable of Production in Paying Quantities



IN REPLY REFER TO:

United States Department of the Interior
BUREAU OF LAND MANAGEMENT

3107 (Office Code)

CERTIFIED MAIL--RETURN RECEIPT REQUESTED

Dear _____: or Gentlemen:

Our records indicate that well number _____, located in _____ has been shut in since (Date) and is the last producing well on Federal oil and gas lease (Serial number).

We have determined that this lease is not capable of production in paying quantities. Under 43 CFR 3107.2-2, a lease which is in its extended term because of production in paying quantities shall not terminate upon cessation of production if, within 60 days thereafter, reworking or drilling operations are commenced on the leasehold and are conducted with reasonable diligence during the period of nonproduction. You are allowed 60 days from receipt of this letter within which to restore production in paying quantities to the leasehold.

If you believe the lease is capable of production in paying quantities to pay the day-to-day operating costs, including rental and/or minimum royalty on a sustained basis, you must submit justification within 60 days of receipt of this letter.

If justification that the well is capable of production in paying quantities is not submitted within 60 days from receipt of this letter, the lease shall automatically terminate. A Notice of Intent to Abandon (NIA) the well must be filed within 30 days, starting 60 days after receipt of this letter.

If you have any questions, contact (Name) at (Office address).

Sincerely,

Field Office Operations
Authorized Officer

Distribution:
All lessees
SO Fluid Lease Adjudication

H-3107-1 - CONTINUATION, EXTENSION, OR RENEWAL OF LEASES

Format for Letter Informing Operator of Cessation of
Production for a CA When Authorized Officer Determines CA
is Not Capable of Production in Paying Quantities



H-3107-1 - CONTINUATION, EXTENSION, OR RENEWAL OF LEASES

Format for Letter Informing Operator of Cessation of
Production for a Unit Participating Area When
Authorized Officer Determines Participating Area is
Not Capable of Production in Paying Quantities



H-3107-1 - CONTINUATION, EXTENSION, OR RENEWAL OF LEASES

Method for Determining Production in Paying Quantities for
Leases Extended Beyond Their Primary Term

Method for Determining Production in Paying Quantities
for Leases Extended Beyond Their Primary Term

1. Compare the allowable operating costs to gross income on a monthly basis.
 - a. If such comparison shows the lease is not profitable for a month, determine whether production is exhausted or is temporarily shut in for mechanical repairs. If production is exhausted, i.e., the lease is no longer capable of production in paying quantities, then the lease is terminated. If the shut in was for mechanical repairs, the lease will not terminate if operations are diligently commenced and continued until the well is returned to paying production.
 - b. If such comparison shows the lease is profitable, then no further action needs to be taken.
2. Compare total yearly cost (calendar year, lease year, or latest 12-month period) to total yearly income. This includes the cost of rental/minimum royalty plus the prorated cost of routine workovers.
 - a. If such comparison shows the lease is still profitable, then no further action needs to be taken.
 - b. If such comparison shows the lease is not profitable, then paying production will be considered exhausted and the lease terminated, unless the lessee or operator diligently performs any necessary repair work in attempting to improve the well's producing capabilities.

The following example illustrates the above procedures:

Month	Direct Operating Cost (\$)	Value Oil & Gas (\$)	Net (\$)
Jan.	150	110	(40)
Feb.	150	175	25
{	{	{	{
Nov.	150	175	25
Dec.	150	110	(40)
Year Total	\$1,800	\$1,970	\$170

Accordingly, if the total of any additional rental/minimum royalty obligations is less than the \$170, the lease is capable of production in paying quantities.

3. The following leases are subject to analysis:
 - a. Any lease whose monthly operating costs appear to exceed monthly income for 2 consecutive months.
 - b. Any lease entering its extended term by production.
 - c. Any lease where the monthly report shows zero production.

H-3107-1 - CONTINUATION, EXTENSION, OR RENEWAL OF LEASES

Format for Letter Informing Operator of Production Decline
for a Lease When Authorized Officer Determines Lease is
Not Capable of Production in Paying Quantities



United States Department of the Interior
BUREAU OF LAND MANAGEMENT

IN REPLY REFER TO

3107 (Office Code)

CERTIFIED MAIL--RETURN RECEIPT REQUESTED

Dear _____: or Gentlemen:

Our records indicate that production on Federal oil and gas lease (Serial number) has declined to the point that we have determined that this lease is not capable of production in paying quantities. Because the lease is currently in its extended term by reason of production, it will terminate unless the lease is capable of producing hydrocarbons in paying quantities.

Under 43 CFR 3107.2-2, you are allowed 60 days from receipt of this letter in which to begin reworking or drilling operations to restore production in paying quantities on the leasehold. The lease will not terminate so long as approved operations are commenced within the 60-day period and such operations are continued with reasonable diligence until paying production is restored.

If you believe the lease is capable of production in paying quantities to pay the day-to-day operating costs, including rental and/or minimum royalty on a sustained basis, you must submit justification within 60 days of receipt of this letter.

If a reworking/drilling operation proposal or justification that the well is capable of production in paying quantities is not submitted within 60 days from receipt of this letter, the lease will automatically terminate. A Notice of Intent to Abandon (NIA) the well must be filed within 30 days, starting 60 days after receipt of this letter.

If you have any questions, contact (Name) at (Office address).

Sincerely,

Field Office Operations
Authorized Officer

Distribution:
All lessees
SO Fluid Lease Adjudication

H-3107-1 - CONTINUATION, EXTENSION, OR RENEWAL OF LEASES

Format for Letter Informing Operator of Potential Decline
for a CA When Authorized Officer Determines CA is
Not Capable of Production in Paying Quantities



United States Department of the Interior
BUREAU OF LAND MANAGEMENT

IN REPLY REFER TO

3107 (Office Code)

CERTIFIED MAIL--RETURN RECEIPT REQUESTED

Dear _____: or Gentlemen:

Communitization Agreement (CA) (Serial number), which includes lease(s) (Serial number(s)) became effective (Date) for a period of two years and so long thereafter as communitized substances are or can be produced from the communitized area in paying quantities. Our records indicate that production from the CA has declined to the point that we have determined that this CA is not capable of production in paying quantities.

Under 43 CFR 3107.2-2, you are allowed 60 days from receipt of this letter in which to begin reworking or drilling operations on the CA to restore production in paying quantities. The CA will not terminate so long as approved operations are commenced within the 60-day period and such operations are continued with reasonable diligence until paying production is restored.

If you believe the CA is capable of production in paying quantities to pay the day-to-day operating costs, including rental and/or minimum royalty on a sustained basis, you must submit justification within 60 days of receipt of this letter.

If a reworking/drilling operation proposal or justification that the well is capable of production in paying quantities is not submitted within 60 days from receipt of this letter, the CA will automatically terminate. A Notice of Intent to Abandon (NIA) the well must be filed within 30 days, starting 60 days after receipt of this letter. (NOTE: This sentence applies only when the well involved is Federal.) The leases committed to the CA may be eligible for extension in accordance with 43 CFR 3107.4.

If you have any questions, contact (Name) at (Office address).

Sincerely,

Field Office Operations
Authorized Officer

Distribution:
All lessees
SO Fluid Lease Adjudication

Format for Letter Informing Operator of Production Decline
for a Unit PA When Authorized Officer Determines PA is
Not Capable of Production in Paying Quantities



United States Department of the Interior
BUREAU OF LAND MANAGEMENT

IN REPLY REFER TO

3107 (Office Code)

CERTIFIED MAIL--RETURN RECEIPT REQUESTED

Dear _____: or Gentlemen:

The (Name) Unit Agreement which includes the (Name) Participating Area (PA) became effective (Date) and so long thereafter as unitized substances are or can be produced from the unitized area in paying quantities. Our records indicate that production from the last well in the PA has declined to the point that we have determined that this PA is not capable of production in paying quantities.

Under 43 CFR 3107.2-2, you are allowed 60 days from receipt of this letter in which to commence reworking or drilling operations on the PA to restore production in paying quantities. The PA will not terminate so long as approved operations are commenced with the 60-day period and such operations are continued with reasonable diligence until paying production is restored.

If you believe the PA is capable of production in paying quantities to pay the day-to-day operating costs, including rental and/or minimum royalty on a sustained basis, you must submit justification within 60 days of receipt of this letter.

If a reworking/drilling operation proposal or justification that the well is capable of production in paying quantities is not submitted within 60 days from receipt of this letter, the PA will automatically terminate. A Notice of Intent to Abandon (NIA) the well must be filed within 30 days, starting 60 days after receipt of this letter. (NOTE: This sentence applies only when the well involved is Federal.) The leases committed to the PA may be eligible for extension in accordance with 43 CFR 3107.4.

If you have any questions, contact (Name) at (Office address).

Sincerely,

Field Office Operations
Authorized Officer

Distribution:
All lessees
SO Fluid Lease Adjudication

Format for Letter Requiring Operator to Perform Tests or
Submit Economic Justification to Continue a
Well in a Shut-in Status



United States Department of the Interior
BUREAU OF LAND MANAGEMENT

IN REPLY REFER TO:

3107 (Office Code)
Serial No.

CERTIFIED MAIL--RETURN RECEIPT REQUESTED

Dear _____: or Gentlemen:

Our records show that well number _____, Federal Lease (Serial number), (Communitization Agreement (Serial number), if appropriate), (Name) County, (State), has been shut in since (Date: if precise date is unknown use the last day of the month for which production was reported). This well is the only well on the lease (communitization agreement) considered to be capable of producing oil or gas in paying quantities. In order for the lease (communitization agreement) to continue to be held by production, the well must remain capable of production in paying quantities. We have reviewed the data you submitted on your most recent well test and the (economic feasibility to construct and operate the necessary marketing facilities) (lack of market conditions to actually produce).

In order for us to continue to treat the well as an approved shut-in well, we require a current test of the well's capacity to produce oil or gas in paying quantities. The last test was conducted on (Date). Accordingly, you are requested to conduct appropriate test(s) of the well's capability to produce in paying quantities and submit the results to this office within 60 days of your receipt of this letter. The test(s) may be any appropriate tests, but are to include, as a minimum, the following: (Any specific directions from the authorized officer).

If you feel that such testing is unnecessary, please submit within 60 days of your receipt of this letter a justification for not performing the test(s) and continuing the well in a shut-in status.

Failure to meet the above requirement shall result in our conclusion that the well is no longer capable of producing in paying quantities.

Sincerely,

Field Office Operations
Authorized Officer

Distribution:
All lessees
SO Fluid Lease Adjudication

H-3107-1 - CONTINUATION, EXTENSION, OR RENEWAL OF LEASES

Format for a Last Production Memorandum for Federal Leases



IN REPLY REFER TO

United States Department of the Interior
BUREAU OF LAND MANAGEMENT

3107 (Office Code)

Memorandum

To: State Director, (Fluid Minerals Adjudication Code)

From: Fluid Minerals Field Office Operations

Subject: Last Oil or Gas Production, (Lease Serial Number) ;
Communitization Agreement Serial Number ; or (Serial Number)
Unit Participating Area)

Last Production Date: _____

Field: _____

Operator/Well Name/Number: _____

Location: _____

Remarks: Include such items as the following:

Date the Notice of Intent to Abandon (NIA) the well was filed;

Whether last production will cause termination of the lease;

Date the communitization or unit agreement is considered terminated, if applicable;

Effect of the last production on any lease term, e.g., lease (Serial number) should be terminated as of the date of last production; no reworking or drilling operations were commenced within 60 days of the cessation of production; OR

Lease (Serial number) should be terminated as of (Date); the operator timely commenced new drilling/reworking operations within 60 days of the last production and such operations continued diligently until the date indicated, at which time the operator filed his Notice of Intent to Abandon the (new) well; OR

The following Federal leases were committed to communitization agreement (Serial number): XXX-12433, XXX-12434, XXX-12435. The communitization agreement terminated as of the date of cessation of the reworking operations, and each lease should be extended to (Date). Lease XXX-12433 is also committed to communitization agreement No. (Serial number), which still is considered producing. Our records indicated lease XXX-12434 has never had a well and will expire at the end of the 2-year extension absent any further extension. The communitization well was on lease XXX-12435 and our records show this lease has another producing well, the X-12, located in the SW1/4, Sec. 22, T. 9 N., R. 88 W., 9th P.M.

Distribution:

MMS-DMD, Mail Stop 3112
SO Fluid Lease Adjudication

H-3107-1 - CONTINUATION, EXTENSION, OR RENEWAL OF LEASES

Format for a Last Production Memorandum for Federal Leases



IN REPLY REFER TO

United States Department of the Interior
BUREAU OF LAND MANAGEMENT

3107 (Office Code)

Memorandum

To: State Director, (Fluid Minerals Adjudication Code)
From: Fluid Minerals Field Office Operations
Subject: Last Oil or Gas Production, (Lease Serial Number _____);
Communitization Agreement Serial Number _____ ; or (Serial Number)
Unit Participating Area)

Last Production Date: _____

Field: _____

Operator/Well Name/Number: _____

Location: _____

Remarks: Include such items as the following:

Date the Notice of Intent to Abandon (NIA) the well was filed;

Whether last production will cause termination of the lease;

Date the communitization or unit agreement is considered terminated, if applicable;

Effect of the last production on any lease term, e.g., lease (Serial number) should be terminated as of the date of last production; no reworking or drilling operations were commenced within 60 days of the cessation of production; OR

Lease (Serial number) should be terminated as of (Date); the operator timely commenced new drilling/reworking operations within 60 days of the last production and such operations continued diligently until the date indicated, at which time the operator filed his Notice of Intent to Abandon the (new) well; OR

The following Federal leases were committed to communitization agreement (Serial number): XXX-12433, XXX-12434, XXX-12435. The communitization agreement terminated as of the date of cessation of the reworking operations, and each lease should be extended to (Date). Lease XXX-12433 is also committed to communitization agreement No. (Serial number), which still is considered producing. Our records indicated lease XXX-12434 has never had a well and will expire at the end of the 2-year extension absent any further extension. The communitization well was on lease XXX-12435 and our records show this lease has another producing well, the X-12, located in the SW1/4, Sec. 22, T. 9 N., R. 88 W., 9th P.M.

Distribution:

MMS-DMD, Mail Stop 3112
SO Fluid Lease Adjudication

H-3107-1 - CONTINUATION, EXTENSION, OR RENEWAL OF LEASES

Format for Decision for Lease Terminated by
Cessation of Production



United States Department of the Interior
BUREAU OF LAND MANAGEMENT

IN REPLY REFER TO

3107 (Office Code)
Serial No.

CERTIFIED MAIL--RETURN RECEIPT REQUESTED

DECISION

Lessee(s) and Address(es) : Oil and Gas
:
:
:

Lease Terminated by Cessation of Production

Oil and gas lease (Serial number) was issued effective (Date) for a (5/10)-year term ending (Date) and for so long thereafter as oil or gas is produced in paying quantities.

A determination has been made that this lease was no longer capable of producing oil or gas in paying quantities after (Date). (No approved operations to restore production were commenced within the 60 days allowed under 43 CFR 3107.2-2.) OR (Operations to restore production in paying quantities were unsuccessful and ceased on (Date).) Accordingly, the lease term is exhausted and the lease is hereby declared terminated by cessation of production effective (Date).

Settlement of royalties or rentals due or payable must be made to Minerals Management Service, Royalty Management Program, if not previously done. Bonds must remain in full force and effect until final abandonment of all wells on the lease has been approved, and the lease account is settled.

OPTIONAL: The following lands were embraced in this lease:

Standard appeal paragraph (see Handbook 3100-1, Chapter 1).

Authorized Officer

Enclosure
Form 1842-1

Distribution:
MMS-DMD, Mail Stop 3110
Field Office Operations
SMA (if other than BLM)

Format for Decision for Lease in a Definite Fixed Term

Where Production Has Ceased



United States Department of the Interior
BUREAU OF LAND MANAGEMENT

IN REPLY REFER TO:

3107 (Office Code)
Serial No.

CERTIFIED MAIL--RETURN RECEIPT REQUESTEDDECISION

Lessee(s) and Address(es) :
: Oil and Gas
:
:

Cessation of Production

Oil and gas lease (Serial number) was issued effective (Date) for a (5/10)-year term ending (Date) and for so long thereafter as oil or gas is produced in paying quantities. (Include when applicable: The lease term has been extended to (Date) pursuant to the decision of (Date).)

A determination has been made that this lease was no longer capable of producing oil or gas in paying quantities after (Date). In the absence of any further extension, or the establishment of production, the lease will expire at the end of its current term on (Date).

Settlement of royalties or rentals due or payable must be made to Minerals Management Service, Royalty Management Program, if not done previously. Bonds must remain in full force and effect until final abandonment of all wells on the lease has been approved, and the lease account is settled.

NOTE: If the lease account is changed from nonterminable (producing) status to terminable (nonproducing) status in the MMS-DMD (because the lease has never had a well of its own), an additional paragraph indicating the changed lease status needs to be included here. Or, if the lease will remain on a minimum royalty basis until its expiration, that fact should be indicated here.

Standard appeal paragraph (see Handbook 3100-1, Chapter 1).

Authorized Officer

Enclosure
Form 1842-1

Distribution:
Field Office Operations
SMA (if other than BLM)

Format for Decision Extending Lease Because of Discovery on
Portion Segregated by AssignmentUnited States Department of the Interior
BUREAU OF LAND MANAGEMENT

IN REPLY REFER TO:

3107 (Office Code)
Serial No.DECISION

Lessee(s) and Address(es)

:
:
:
:
:

Oil and Gas

Lease Extended

A discovery of oil or gas has been made on oil and lease (Serial number) on (Date). Your oil and gas lease (Serial number) was segregated from the lease on which the discovery was made as a result of a partial assignment approved effective (Date).

Consequently, pursuant to 43 CFR 3107.5-1, the term of your lease is extended through (Date of discovery plus two years, e.g., if discovery is May 15, 1994, this date should be May 15, 1996), and so long thereafter as oil or gas is produced in paying quantities. If your lease is in a rental (terminable) status, continuation of the lease through the period of extension depends upon timely payment of annual rental for any lease year beginning after the extension.

Authorized Officer

Distribution:

Field Office Operations
MMS-DMD, Mail Stop 3110
SMA (if other than BLM)

H-3107-1 - CONTINUATION, EXTENSION, OR RENEWAL OF LEASES

Format for Accounting Advice for Extension of Lease by
Discovery on Portion Segregated by Assignment

Form 1370-41
(March 1984)

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT
RECEIPT AND ACCOUNTING ADVICE

NO. 1420144 -23

Subject: LEASE EXTENSION

Applicant: XYZ Oil Corp.
358 First Ave.
Cody, WY 84291

Remitter:

Assignor:

LEASE MANAGEMENT DATA									
<input type="checkbox"/> NEW <input checked="" type="checkbox"/> UPDATE <input type="checkbox"/> PAYMENT									
ORIGINAL SERIAL NO.	ASG.	TYPE	ST.	CTY.	FUND SYMBOL	ACRES/UNITS	RATE		
WYW -44889		OG	P	46	009 14 5003	120.00	2.00		
AMOUNT	ANV. DATE	EXP. DATE	BILL CYC	S C	DISTRICT	NEXT BILL	MISC. DATA	U of M	ACTUAL UNITS
240.00	4/1/82	2/27/94		E	WY02				
ASSIGNMENT SERIAL NO.	ASG.	TYPE	ST.	CTY.	FUND SYMBOL	ACRES/UNITS	RATE		
AMOUNT	ANV. DATE	EXP. DATE	BILL CYC	S C	DISTRICT	NEXT BILL	MISC. DATA	U of M	ACTUAL UNITS
APPLY REMITTANCE									
ACTION	FUND SYMBOL	CTY.	AMOUNT						
FILING FEE									
RENTAL									
UNEARNED									
REFUND									
TOTAL									
AMOUNT DUE									
<input type="checkbox"/> Lease in Escrow <input type="checkbox"/> Of Interest <input type="checkbox"/> RGS <input type="checkbox"/> Operating Right <input type="checkbox"/> Auto Escalates <input type="checkbox"/> Operator <input type="checkbox"/> Auto Renewal <input type="checkbox"/> Bond Filed									
Remarks: Lease extended 2 years ending 2/27/94 by discovery on lease WYW 43203. Please bill for rental due 4/1/93 as soon as possible.					BY <i>Jill Donald</i> DATE 1/4/93 FOR MMS USE ONLY BILLFF NUMBER FOREST REFUGE OCS SECTION CODE				

H-3107-1 - CONTINUATION, EXTENSION, OR RENEWAL OF LEASES

Format for Memorandum to Field Office Operations for
Partial Assignment Extension



United States Department of the Interior
BUREAU OF LAND MANAGEMENT

IN REPLY REFER TO:

3107 (Office Code)
Serial No.

Memorandum

To: Fluid Minerals Field Office Operations
From: State Director, (Fluid Minerals Adjudication Code)
Subject: Request for Information Concerning Undeveloped Lands in
Lease (Serial Number)

We have recently received for processing the following proposed partial
assignment:

From:

To:

RETAINED AREA:

ASSIGNED AREA:

Please inform us which lands are undeveloped so that we will be able to make
a determination whether the provisions of 43 CFR 3107.5-2 or 3107.5-3 apply,
i.e., is there actual or allocated production on either the assigned portion
or the retained portion of this lease.

Distribution:

H-3107-1 - CONTINUATION, EXTENSION, OR RENEWAL OF LEASES

Format for Decision for Approval of Partial Assignment

With Extension



H-3107-1 - CONTINUATION, EXTENSION, OR RENEWAL OF LEASES

Format for Decision for Approval of Partial Assignment

With Extension

A large, empty rectangular box with a thin black border, occupying the central portion of the page. It is intended for a decision or assignment related to the continuation, extension, or renewal of leases.

H-3107-1 - CONTINUATION, EXTENSION, OR RENEWAL OF LEASES

Format for Serial Register Page/Case Abstract for Entering
Exchange Lease into ALMRS Case Recordation

04/29/94 USDI * BUREAU OF LAND MANAGEMENT * MONTANA STATE OFFICE PG 01

SERIAL REGISTER PAGE

GEO STATE: MONTANA SERIAL NO: MTGF 0078744-B
CASE TYPE: 310771 O&G EXCHANGE LEASE - PD
LEGAL REF: 02-25-1920;041STAT0437;30USC226 COMMODITY: OIL & GAS

NAME	ADDRESS	% INTRST INTEREST
ANCO OPERATING CO	1155 SHERMAN ST #301 DENVER, CO 80203	100.00000 LESSEE

M	TOWN	RANGE	SEC	SUBDIVISION	SURFACE MGMT AGENCY
20	32-ON	5-OW	5	LOT 6	
			7	LOT 1-3,5	
			8	SWNW	
			8	LOT 1	
			#02	SWNW SEGR	
			#03	NWSW SEGR	
			#04	NESE SEGR	
			#05	5 ASGN	
			#27	E2SW SEGR	
			#28	SENW,SWNE,NWSE SEGR	

***** TOTAL ACRES: 212.540 *****

* - RELINQUISHED, CONTRACTED, WITHDRAWN, REJECTED, SEGREGATED/ASSIGNED OUT

ACTN DATE	CODE	ACTION	ACTION REMARKS	PEND ACT
07/22/1935	124	APLN RECD		
03/04/1936	237	LEASE ISSUED		
03/04/1936	534	ROYALTY RATE - SLIDING		
03/04/1936	868	EFFECTIVE DATE		
07/15/1936	221	DRAINAGE IDENTIFIED		
04/13/1937	062	COMPENSATORY RLTY ASSMT	/A/	
07/29/1938	300	BOND REQUIRED	/B/	
09/08/1938	658	MEMO OF 1ST PROD-ACTUAL	*G305; NO MEMO	
12/13/1938	140	ASGN FILED	/C/	
04/18/1939	139	ASGN APPROVED	EFF 01/01/1939;/C/	
09/16/1940	140	ASGN FILED	/D/	
02/01/1941	067	CMPNS RLTY ASSMT TERM		
07/30/1941	139	ASGN APPROVED	EFF 08/01/1941;/D/	
07/30/1941	570	CASE SEGREGATED BY ASGN	/D/ INTO MTGF084235	
01/19/1944	140	ASGN FILED	/E/	
12/26/1944	139	ASGN APPROVED	EFF 12/31/1943;/E/	
06/01/1948	237	LEASE ISSUED	EXCHANGE LEASE	

* CONTINUED *

* CONTINUED *

H-3107-1 - CONTINUATION, EXTENSION, OR RENEWAL OF LEASES

Format for Serial Register Page/Case Abstract for Entering
Exchange Lease into ALMRS Case Recordation

04/29/94 USDI * BUREAU OF LAND MANAGEMENT * MONTANA STATE OFFICE PG 02

SERIAL REGISTER PAGE

GEO STATE: MONTANA

SERIAL NO: MTGF 0078744-B

* CONTINUED *

* CONTINUED *

ACTN DATE	CODE	ACTION	ACTION REMARKS	PEND ACT
06/01/1948	530	ROYALTY RATE - 12 1/2%	/F/	
06/01/1948	868	EFFECTIVE DATE		
02/01/1962	232	LSE COMMITTED TO UNIT	MTM68697X; SECBSU	
02/01/1962	658	MEMO OF 1ST PROD-ACTUAL	MTM68697X; #G305	
02/01/1962	700	LEASE SEGREGATED	INTO MTM049432	
12/24/1986	140	ASGN FILED	/G/	
02/06/1987	104	ADDTL INFO RQST	ASGN GLACIER DEV INC	
06/03/1988	140	ASGN FILED	/H/	
06/03/1988	140	ASGN FILED	CUT BANK RES INC	
07/05/1988	104	ADDTL INFO RQST	ASGN CUT BANK RES	
07/05/1988	139	ASGN APPROVED	EFF 07/01/1988; /G/	
07/05/1988	139	ASGN APPROVED	EFF 07/01/1988; /H/	
11/15/1988	269	ASGN DENIED	6/3/88; CUT BANK RES	
07/19/1989	140	ASGN FILED	/I/	
08/02/1989	139	ASGN APPROVED	EFF 08/01/1989; /I/	
09/12/1990	940	NAME CHANGE RECOGNIZED	EFF 08/15/1990; /J/	
09/05/1991	451	DEFAULT DETERMINED		
10/28/1991	453	DEFAULT CORRECTED	CANCELLED	
01/27/1992	451	DEFAULT DETERMINED		
02/21/1992	453	DEFAULT CORRECTED		
07/01/1993	451	DEFAULT DETERMINED	CIVIL PENALTIES	EK
07/12/1993	393	DEC ISSUED	/K/	
09/13/1993	451	DEFAULT DETERMINED	MMS	EK
10/12/1993	453	DEFAULT CORRECTED	RET MMS-FUNDS EXH	EK
10/22/1993	453	DEFAULT CORRECTED	\$25,000;	
10/25/1993	235	EXTENDED	THRU 10/25/1995	EK
10/25/1993	336	UNIT AGRMT TERMINATED	MTM68697X	EK
10/25/1993	646	NOTICE LAST PROD-ACTUAL	/1/MTM68697X; #G305	
10/25/1993	649	LEASE PAYING MIN ROYALTY		EK
12/28/1993	643	PRODUCTION DETERMINATION	/1/	
02/17/1994	974	AUTOMATED RECORD VERIF	ELK	
03/15/1994	247	FUTURE ACTION SUSPENSE	EK/RESTORE BOND	MT92234
10/25/1995	763	EXPIRES		

COMMENTS:

- 01 /A/ 10%-11% WELL #7008; 20% WELL #5; 14% WELL #2;
- 02 /A/ 14% WELL #7008; 15% WELL #7016; 17% GRANT OIL CO
- 03 /A/ #1; 20% WELL #7013
- 04 /B/ MT0621 OP: A108, G305, A807, C407, C108, C507
- 05 /C/ JOSEPH P SHEARON TO SANTA RITA OG CO 100%
- 06 /D/ SANTA RITA OG CO TO J E HUPP 50% & JAMES H

* CONTINUED *

* CONTINUED *

H-3107-1 - CONTINUATION, EXTENSION, OR RENEWAL OF LEASES

Format for Serial Register Page/Case Abstract for Entering

Exchange Lease into ALMRS Case Recordation

04/29/94 USDI * BUREAU OF LAND MANAGEMENT * MONTANA STATE OFFICE PG 03

SERIAL REGISTER PAGE

GEO STATE: MONTANA

SERIAL NO: MTGF 0078744-B

* CONTINUED *

* CONTINUED *

COMMENTS:

07 /D/ MCCOURT 50%
 08 /E/ SANTA RITA OG CO TO CARTER OIL CO 100%
 09 /F/ SLIDING SCALE 12 1/2% TO 33 1/3% FROM 3/4/36 TO
 10 /F/ 6/1/48
 11 /G/ EXXON CORP TO GLACIER DEV INC 100%
 12 /H/ GLACIER DEV INC TO PETRO-AMER RES INC 100%
 13 /I/ PETRO-AMER RES INC TO LATERAL TECH INC 100%
 14 /J/ LATERAL TECH INC TO ANCO OPERATING CO
 15 /K/ RECLAMATION NONCOMPLIANCE; BARRED FROM FUTURE
 16 /K/ LEASING

STATE	ENTITY	ACRES
	LEWISTOWN DISTRICT	212.540
	GREAT FALLS RA	212.540
MONTANA	GLACIER	212.540

CASE DISPOSITION: 06/01/1948 AUTHORIZED

H-3107-1 - CONTINUATION, EXTENSION, OR RENEWAL OF LEASES

Format for Decision Transmitting Renewal Lease

Forms for Execution



United States Department of the Interior
BUREAU OF LAND MANAGEMENT

IN REPLY REFER TO

3107 (Office Code)
Serial No.

CERTIFIED MAIL--RETURN RECEIPT REQUESTED

	<u>DECISION</u>
Lessee(s)	:
	:
	Oil and Gas
	Renewal Lease
	:

Renewal Lease Forms Transmitted for Execution
OPTIONAL: Consent of Surety Required

Your application for 10-year renewal of oil and gas lease (Serial number) has been received. The records show this lease was originally issued for a 20-year term, with preferential right of the lessee to renew the lease for successive 10-year periods with such reasonable terms and conditions as may be prescribed by the lessor, unless otherwise provided by law at the time of the expiration of such periods. In accordance with Mineral Leasing Act amendment of November 15, 1990, the term of this lease is renewed effective (Date) for a period of 20 years and so long thereafter as oil or gas are produced in paying quantities. The lease is not committed to a unit agreement.

Enclosed are an original and two copies of renewal lease forms with (Number) stipulations attached. The royalty rate for the new lease is 12 1/2 percent in accordance with 43 CFR 3103.3-1.

(IF APPROPRIATE: Prior to lease issuance, proper bond coverage must be provided.

(IF APPROPRIATE, also require rental payment for the first renewal year.) ←

A period of 30 days from your receipt of this decision is allowed in which to execute all copies of the lease, initial all changes made in the royalty schedule, return the lease forms with the stipulation attachments, and comply with any other requirements indicated above.

Failure to return the executed lease forms within the time allowed will result in rejection of your application without further notice. You have 30 days in which to appeal this decision after the expiration of the 30-day compliance period. An appeal during the compliance period is subject to dismissal as being premature.

Standard appeal paragraph (see Handbook 3100-1, Chapter 1).

Authorized Officer

Enclosures
Lease Forms (with stipulations attached)
Form 1842-1

Distribution:

H-3107-1 - CONTINUATION, EXTENSION, OR RENEWAL OF LEASES

Format for Accounting Advice Showing Renewal Lease Issued

Form 1370-41 (March 1984)		UNITED STATES DEPARTMENT OF THE INTERIOR BUREAU OF LAND MANAGEMENT		NO. 1420146-22					
RECEIPT AND ACCOUNTING ADVICE									
Subject: RENEWAL LEASE									
Applicant: BIG DRILLING CORP. 6677 Melody Lane, Suite 9 Wherever, CO 80288-0009									
Remitter:									
Assignor:									
LEASE MANAGEMENT DATA <input type="checkbox"/> NEW <input checked="" type="checkbox"/> UPDATE <input type="checkbox"/> PAYMENT									
ORIGINAL SERIAL NO.	ASG.	TYPE	ST.	CTY.	FUND SYMBOL	ACRES/UNITS	RATE		
COD-033333		OG	P	08	081 14 5003	639.87	2.00		
AMOUNT	ANV. DATE	EXP. DATE	BILL CYC.	S.C.	DISTRICT	NEXT BILL	MISC. DATA	U of M	ACTUAL UNITS
\$1280.00	2/1/1991	1/31/2011							
ASSIGNMENT SERIAL NO. ASG. TYPE ST. CTY. FUND SYMBOL ACRES/UNITS RATE									
AMOUNT ANV. DATE EXP. DATE BILL CYC. S.C. DISTRICT NEXT BILL MISC. DATA U of M ACTUAL UNITS									
APPLY REMITTANCE									
ACTION	FUND SYMBOL	CTY.	AMOUNT	Remarks: Renewal lease issued effective 2/1/1991 for 20-year term. This replaces renewal lease COD-033333 which was issued effective 2/1/81 and expired 1/31/91. Apply rental 2/1/1991.					
FILING FEE									
RENTAL	145003	081	\$1280.00						
UNEARNED									
REFUND									
TOTAL									
AMOUNT DUE									
<input type="checkbox"/> Lease in Escrow? <input type="checkbox"/> KGS? <input type="checkbox"/> Auto Escalates? <input type="checkbox"/> Auto Renew?				OF Interest? Operating Rights? Operator Bond Filed?					
				FOR MMS USE ONLY BILLEE NUMBER FOREST REFUGE OCS SECTION CODE					

H-3107-1 - CONTINUATION, EXTENSION, OR RENEWAL OF LEASES

Format for Serial Register Page/Case Abstract for Entering

Issued Renewal Lease into ALMRS Case Recordation

04/21/94 USDI * BUREAU OF LAND MANAGEMENT * CALIFORNIA STATE OFFICE PG 01

SERIAL REGISTER PAGE

GEO STATE: CALIFORNIA SERIAL NO: CAS 0019381B
CASE TYPE: 310781 O&G RENEWAL LSE - PD
LEGAL REF: O&G RENEWAL LSE(PD):02-25-1920 COMMODITY: OIL & GAS

NAME	ADDRESS	% INTRST INTEREST
SANTA FE ENERGY RES	5201 TRUXTON AVE#100 BAKERSFIELD, CA 93309	100.00000 LESSEE

M_	TOWN	RANGE	SEC	SUBDIVISION	SURFACE MGMT AGENCY
21	31.0S	22.0E	20	W2.SE	BUREAU LAND MANAGEMEN
			27	SWSW	BUREAU LAND MANAGEMEN
			28	NW	BUREAU LAND MANAGEMEN
			35	LOT 1-4	BUREAU LAND MANAGEMEN

***** TOTAL ACRES: 862.460 *****

ACTN DATE	CODE	ACTION	ACTION REMARKS	PEND ACT
09/09/1924	124	APLN RECD	VISALIA 09310	SIS
09/09/1924	868	EFFECTIVE DATE	SEC 14	
05/13/1925	237	ISSUED	FFF 9-9-1924	SIS
06/29/1925	140	ASGN FILED	JAMESON & SWIFT	SIS
09/26/1925	139	ASGN APPROVED	EFF 9-26-1925	SIS
05/27/1926	140	ASGN FILED	SANTA FE 100%	SIS
08/10/1926	139	ASGN APPROVED	FFF 8-10-1926	SIS
06/03/1927	677	SUSP OPS OR PROD/PMT REQ	OPERATIONS	SIS
12/09/1941	678	SUSP LIFTED		SIS
02/04/1942	650	HELD BY PROD - ACTUAL		SIS
02/04/1942	658	MEMO OF 1ST PROD-ACTUAL	/A/	SIS
02/05/1942	102	ACCT TRFD TO AFS		SIS
04/29/1953	314	RENEWL APLN RECD		SIS
07/01/1953	242	LEASE RENEWED		SIS
04/02/1954	140	ASGN FILED	CHANSIOR-CANFIELD	SIS
03/16/1955	139	ASGN APPROVED	EFF 5-1-1954	SIS
03/05/1963	314	RENEWL APLN RECD		SIS
07/01/1963	242	LEASE RENEWED		SIS
03/26/1973	314	RENEWL APLN RECD		SIS
07/01/1973	242	LEASE RENEWED		SIS
07/30/1979	817	MERGER ENACTED/RECG	/B/	SIS
03/28/1983	314	RENEWL APLN RECD		SIS
07/01/1983	242	LEASE RENEWED		
09/13/1990	103	ADDTL INFOR RECD	MERGER/NAME CHG	BJE

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* CONTINUED *

H-3107-1 - CONTINUATION, EXTENSION, OR RENEWAL OF LEASES

Format for Serial Register Page/Case Abstract for Entering

Issued Renewal Lease into ALMRS Case Recordation

04/21/94 USDI * BUREAU OF LAND MANAGEMENT * CALIFORNIA STATE OFFICE PG 02

SERIAL REGISTER PAGE

GEO STATE: CALIFORNIA

SERIAL NO: CAS 00193818

* CONTINUED *

* CONTINUED *

ACTN DATE	CODE	ACTION	ACTION REMARKS	PEND ACT
09/21/1990	917	MERGER ENACTED/RECG	/C/	BJE
10/01/1992	521	RLTY RED-STRIPPER WELL	2.1%:/1/	SIS
03/01/1993	625	RLTY REDUCTION APPV	/1/	SIS
04/29/1993	974	ALMRS RECORD VERIFIED		SIS
05/05/1993	104	ADDTL INFOR ROST	RENEWAL APLN:LESSEF	
06/03/1993	314	RENEWL APLN RECD		SIS
07/01/1993	530	ROYALTY RATE 12 1/2%		SIS
08/20/1993	242	LEASE RENEWED	EFF 7-1-1993	SIS
09/23/1993	343	DECISION ISSUED	/D/	SIS
05/30/2013	247	FUTURE ACTION SUSPENSE	/F/	SIS 0494324

COMMENTS:

01 /A/SEE 2-25-1942 MEMO FROM GEOLOGICAL SURVEY. WELL
 02 NO. 15-35;
 03 /B/CHANSIOR-WESTERN OIL AND DEVELOPMENT CO WITH
 04 SANTA FE ENERGY CO, A TEXAS CORP;
 05 /C/SANTA FE ENERGY CO INTO SANTA FE ENERGY RESOURCES
 06 INC;
 07 /D/CORRECT LEASE LAND DESCRIPTION;
 08 /E/CHECK IF LEASE IS PRODUCING - IF NOT, LSE WILL
 09 EXPIRE AS PER PL 101-567 OF 11-15-1990;

STATE	ENTITY	ACRES
CALIFORNIA	BAKERSFIELD DO, BLM	862.460
CALIFORNIA	CALIENTE RA, BLM	
CALIFORNIA	KERN COUNTY,	862.460
21	BUREAU LAND MANAGEMENT,	862.460

CASE DISPOSITION: 08/20/1993 AUTHORIZED

H-3107-1 - CONTINUATION, EXTENSION, OR RENEWAL OF LEASES

Format for Decision Extending Lease for Discontinuance of
Compensatory Royalty Payments



IN REPLY REFER TO:

United States Department of the Interior
BUREAU OF LAND MANAGEMENT

3107 (Office Code)
Serial No.

DECISION

Lessee

:
:
:
:
:

Oil and Gas

Lease Term Extended

The Minerals Management Service has reported compensatory royalty assessment payments have been discontinued for oil and gas lease (Serial number).

In accordance with 43 CFR 3107.9-1, the lease term is hereby extended for 1 year from discontinuance of compensatory royalty payments, beginning (Date) ending at midnight (Date).

Because this lease is in a nonproducing status, in accordance with 43 CFR 3103.2-2(c), the continuation of this lease will depend upon timely annual rental payments in order to prevent termination of the lease at its next anniversary date. Please place the appropriate lease serial number on checks for annual rental payments and mail to the following address:

Minerals Management Service (MMS)
Royalty Management Program
P.O. Box 5640
Denver, Colorado 80217

The records of this office indicate that the next rental payment for this lease should be in the amount of (\$_____) and is required to be received by the MMS by (Date).

Authorized Officer

Distribution:

Field Office Operations
SMA (if other than BLM)
MMS-DMD, Mail Stop 3110

Format for First Production Memorandum on Indian Leases



United States Department of the Interior
BUREAU OF LAND MANAGEMENT

IN REPLY REFER TO

3107 (Office Code)

Memorandum

To: Area Director, Bureau of Indian Affairs

From: Fluid Minerals Field Office Operations

Subject: First Production Lease No. (or CA or unit, if applicable)

Date of Completion:

Date of First Production:

Field:

Lessee or Operator/Well Name/Number:

Location:

Total Depth and Surface Elevation:

Producing Formation (Show name of formation and top and bottom
and Intervals: perforation, or top and bottom of producing
interval.)

Initial Daily Production: (Report all production, including water, gas
from an oil well, distillate, or condensate
from a gas well.)

Well Capable of Production
in Paying Quantities?

Remarks: (Include additional information that may be pertinent to the
State Office, other BLM offices, MMS, or BIA, including the
identification of other jurisdictional lands, leases, and agreements that
may be affected in any manner by the first production.)

Distribution:

MMS-DMD, Mail Stop 3112
State Office Mineral Resources
Other BIA Offices (as appropriate)
Bordering District Offices (as appropriate)

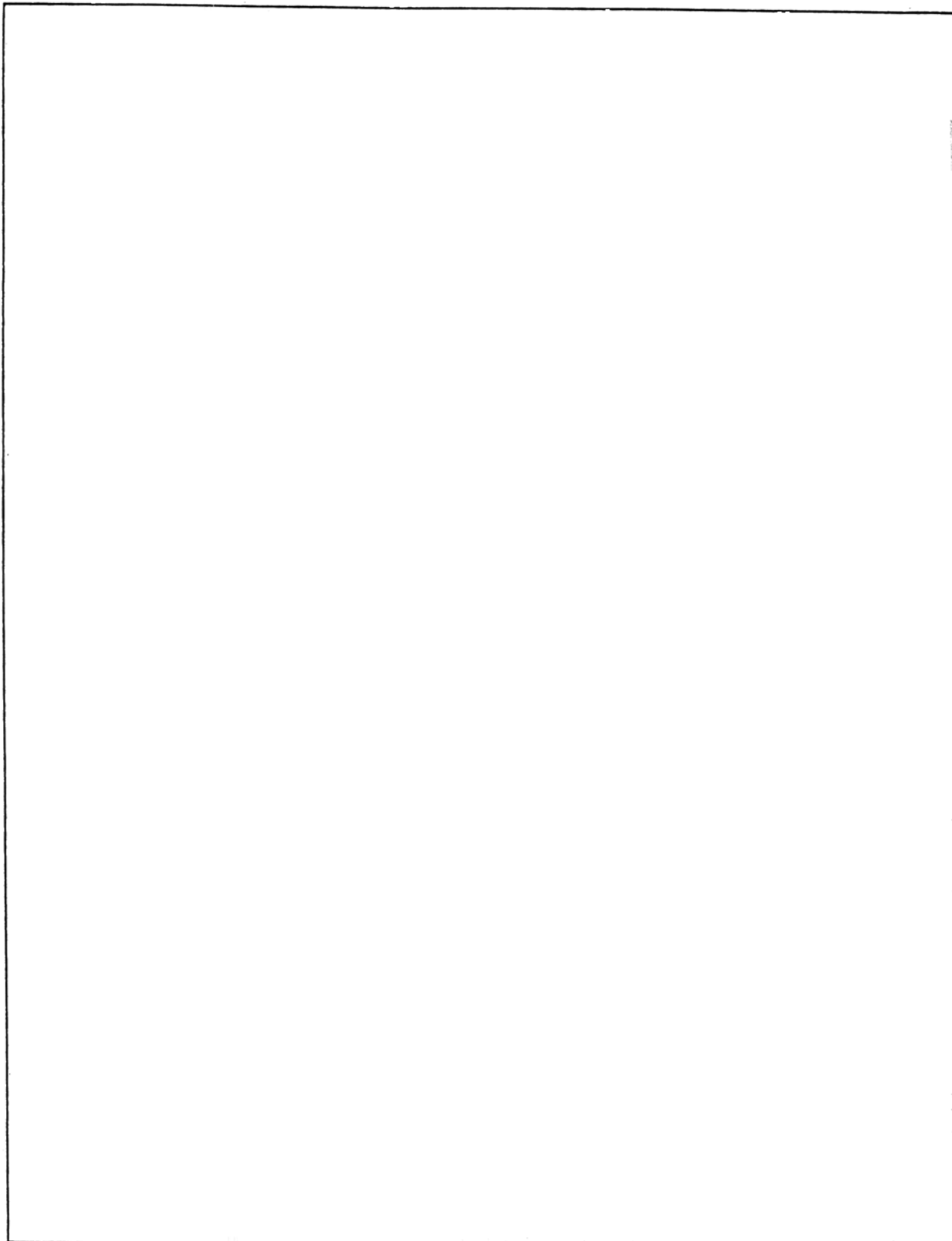
H-3107-1 - CONTINUATION, EXTENSION, OR RENEWAL OF LEASES

Format for Last Production Memorandum for Indian Leases



H-3107-1 - CONTINUATION, EXTENSION, OR RENEWAL OF LEASES

Solicitor's Opinion on Drilling Extension for Leases in
Primary Term Which Have Been Extended Under
Other Provisions (May 17, 1984)



H-3107-1 - CONTINUATION, EXTENSION, OR RENEWAL OF LEASES

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Texaco, Inc., supra at 130; Yates Petroleum Corp., supra at 11. Since this was not an issue in either case (neither lessee was drilling at the end of the primary term), this statement is not a conclusion of law by the Board. However, since the language of the Act provides no definitive guidance either way and since the Board's construction gives consistent meaning to both extension provisions, we see no reason why it may not be followed.

In conclusion, where a lease is subject to an extension under section 17(j) but is still within its primary term, it may receive a drilling extension under section 17(e) if the lessee is prosecuting diligent drilling operations at the end of the primary term. If such a lease is extended by drilling, the drilling extension operates in place of, and not in addition to, the section 17(j) extension. The drilling extension begins at the end of the primary term of the lease and supersedes the prior section 17(j) extension.

Lawrence J. Jensen
Associate Solicitor
Energy and Resources

H-3107-1 - CONTINUATION, EXTENSION, OR RENEWAL OF LEASES

Solicitor's Opinion on Oil and Gas Extension Pursuant
to Section 4(d) of the Mineral Leasing Act Revision of 1960
(Meaning of Actual Drilling Operations) (M-36657, July 17, 1963)

UNITED STATES DEPARTMENT OF THE INTERIOR
OFFICE OF THE SOLICITOR
WASHINGTON 25, D. C.

M-36657

July 17, 1963

Memorandum

To: Chief, Division of Minerals, Bureau of Land Management

From: Associate Solicitor, Division of Public Lands

Subject: Oil and gas lease extensions pursuant to section 4(d) of the
Mineral Leasing Act Revision of 1960

On July 5, 1963, the Assistant Solicitor, Branch of Minerals, of this Division, was informally asked by your office about the interpretation of section 4(d) of the Mineral Leasing Act Revision of 1960 (74 Stat. 781, 790; 30 U.S.C., sec. 226.1(d)). That subsection provides:

"(d) Any lease issued prior to the enactment of the Mineral Leasing Act Revision of 1960 which has been maintained in accordance with applicable statutory requirements and regulations and which pertains to land on which or for which under an approved cooperative or unit plan of development or operation, actual drilling operations were commenced prior to the end of its primary term and are being diligently prosecuted at that time shall be extended for two years and so long thereafter as oil or gas is produced in paying quantities."

The principal question asked was about the meaning of the term "actual drilling operations". We understand that certain lessees, in an endeavor to obtain 2-year extensions of their leases, have started drilling operations just before what would otherwise be the end of the primary term and, once that date has been passed, have terminated their drilling operations. Lessees have attempted to come within the technical requirements of actual drilling operations with drilling plans which have no reasonable prospect of success.

The legislative history of the Mineral Leasing Act Revision is not explicit on the meaning of this term, but it does reveal a significant fact. The original term employed was simply "drilling operations". Then it was amended to "actual drilling operations". It is obvious that the inclusion of the word "actual" was deemed of great importance by the Committee, and it should therefore, not be dismissed as mere verbiage. The word "actual" is opposed to the word "nominal", and thus the use of "actual" means that the drilling operations must be more than merely nominal. The purpose of drilling operations is to produce oil or gas. Therefore, an essential characteristic of actual drilling operations is that they be conducted in

H-3107-1 - CONTINUATION, EXTENSION, OR RENEWAL OF LEASES

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H-3107-1 - CONTINUATION, EXTENSION, OR RENEWAL OF LEASES

Instruction Guideline for Entering Production-related Oil
and Gas Lease Data into Case Recordation

INSTRUCTION GUIDELINE FOR ENTERING PRODUCTION-RELATED OIL AND GAS
LEASE DATA INTO CASE RECORDATION

INTRODUCTION

The development of production-related codes and data entry standards has been complicated, primarily because production data has many different users with very different needs, purposes and perspectives.

In order to develop codes and standards, purposes and needs were defined based on all of the information available at the time, including all comments provided by the States. Following are the purposes and needs established:

PURPOSES:

1. Maintenance of current lease status (whether or not the lease is capable of producing in paying quantities).
2. Determination of type of production (actual, allocated, or location).
3. Creation of a production history.

NEEDS:

1. Provide reporting capabilities.
2. Accommodate automated data transfer to Minerals Management Service (MMS).
3. Provide the ability to resolve MMS and public queries from the data base.

Once the purposes and needs were identified, the codes and standards were developed. These codes have been developed to be used in conjunction with one another to create a complete history as well as reflect the current production status.

Action codes and standards have been categorized into three categories to make the overall concept easier to understand: (1) current production status (source), (2) creating the history and (3) cessation of production.

All of the Action Codes described in this Instruction Guideline are mandatory for use when the applicable action occurs on a lease. This Guidebook and its examples deal only with production-related coding. The nonproduction-related codes (e.g., lease and assignment applications filed and approved, lease segregations, and lease adjustments) are to continue to be used in accordance with existing instructions. The examples in the Guidebook reflect the minimum information required. It is optional to include other information related to an Action Code, such as well locations or unit agreement names, either after the semicolon in the Action Remarks section of the SRP or in the General Remarks section of the SRP.

Using the following codes in the prescribed manner will provide the information on the Serial Register Pages (SRP) of each lease to meet the established purposes and needs.

H-3107-1 - CONTINUATION, EXTENSION, OR RENEWAL OF LEASES

1. CURRENT PRODUCTION STATUS CODES

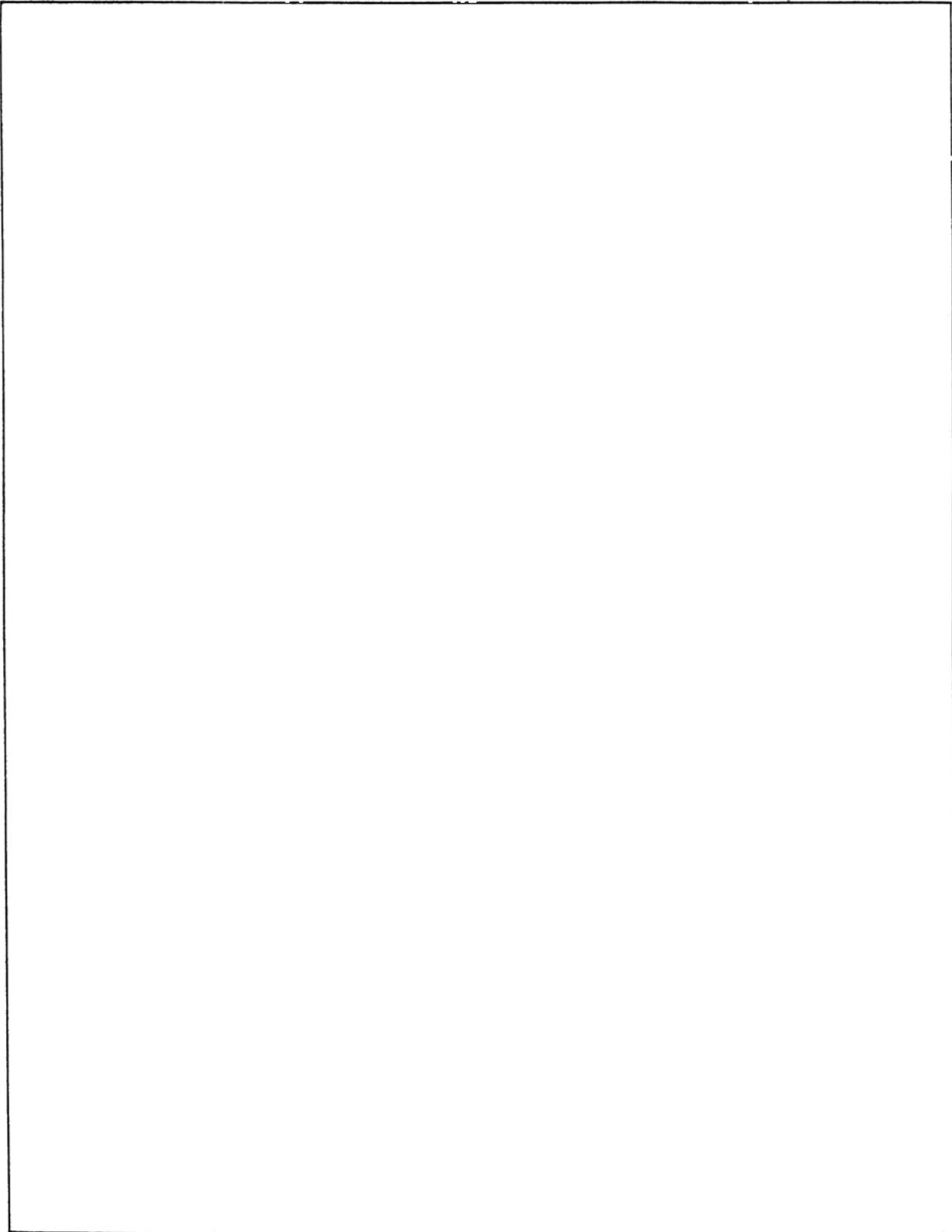
The purpose of the current production status codes (650, 651 and 653) is to identify producing leases and the primary source of production. These codes accommodate the need for ad hoc query as to the production status of the lease as well as meeting the needs of the Quarterly Fluid Minerals Report. The sources of production are divided into three categories: (1) Actual - the well is actually located on the leasehold. Consideration should not be given to whether the production from that well is allocated to a Communitization Agreement (CA) or Participating Area (PA). (2) Allocated - production from an off-lease well is allocated to the lease. (3) Location - a lease is committed to a producing unit but outside of a PA.

Only one of these codes is allowed to appear on an SRP at any given time and only when the lease is actually held by a source of production. These codes will be added and deleted as defined below. For this reason, nothing is shown to be entered in Action Remarks throughout this Guidebook, unless otherwise stated. "Enter date" means the Action Date. Needed information such as production source serial numbers are provided for in the historical codes section. If a lease is considered "capable of producing in paying quantities," the primary production source code must appear on the SRP. Of the three types of production, actual production takes precedence over the other two. Allocated production will take precedence over location. If the lease remains on AFS after production has ceased, other provisions will be provided later to accommodate these leases.

650 - HELD BY PROD - ACTUAL

Enter date lease is considered first capable of production as stated in either the lease or CA Memo of First Production. This date is normally the well completion date. Use only when the well is actually located on the leasehold. If the well completed on the lease is a unit well, use the effective date of either the PA or the PA Revision, whichever entitles the lease to participation. If the well completed on the lease is subsequently determined to be a CA and/or a unit well, use the earlier of the lease, CA, or PA first production date that establishes the lease as capable of production. If the leasehold well is the source of unit or CA production, this code is used even though the production is allocated to the unit or CA. Code 650 will supersede either of the other two codes. If the SRP has previously been coded that the lease is receiving allocated production (651) or held by location (653), and a leasehold well becomes productive, the 651 or 653 is removed and replaced by 650. The 650 code will remain as long as there is a well capable of production on the lease. If all actual production (650) ceases but the lease remains in a "producing status" because of some other source of production, the appropriate code (651 or 653) with the appropriate date should be entered at this time and the 650 code deleted. If the original well which caused the lease to go to a "held by actual production status" should cease production, do not change the Action Date of this code as long as there remains another source of actual production on the lease.

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H-3107-1 - CONTINUATION, EXTENSION, OR RENEWAL OF LEASES

658 - MEMO OF 1ST PROD - ACTUAL

Enter date lease is considered first capable of production as stated in either the lease or CA Memo of First Production. This code is only used for production on leases where the well is actually located on the lease. If the well is a unit well, use the effective date of either the PA or the PA Revision, whichever entitles the lease to participation. If the well completed on the lease is subsequently determined to be a CA and/or unit well, enter this code again for each of the CA first production memo and/or PA approval. If the code is based on a CA or unit well, enter the serial number of the CA or PA and the well number in Action Remarks. If the code is based on a leasehold well, enter just the well number in Action Remarks. Use this code in conjunction with the 650 and 643 codes. Use a numeric tie with the 643 code in Action Remarks. If the lease has more than one source of actual production, this code is entered each time a Memo of First Production, or its equivalent (PA approval), is received. Such a situation would occur on a lease which has actual production and which is later committed to a CA and the productive CA well is on the leasehold. The purpose of multiple use of this code is NOT to track all wells on a lease, but to track "sources" of production. Use this code only when a Memo of First Production, or its equivalent (PA approval), is generated.

660 - MEMO OF 1ST PROD - ALLOC

Enter date lease is considered first capable of production as stated in the Memo of First Production for the CA. Use only when production is from an off-lease well. If the off-lease well is a unit well, use the effective date of either the PA or the PA Revision, whichever entitles the lease to participation. If the off-lease CA well is subsequently determined to be a unit well, enter this code again for the PA approval. Enter the serial number of the PA or CA in Action Remarks. Use this code in conjunction with the 651 and 643 codes. Use a numeric tie with the 643 code in Action Remarks. If the lease already has actual production (action code 650), do not enter a 651 code when entering the 660 code. As with the 658 code, if the lease has more than one source of allocated production, the 660 code is entered each time a Memo of First Production, or its equivalent (PA approval), is received. As with the 658 code, the purpose of multiple use of this code is NOT to track all wells on a lease, but to track "sources" of production. Use this code only when a Memo of First Production, or its equivalent (PA approval), is generated.

659 - LOCATED IN PROD UNIT

Enter date lease is held by location in a producing unit (the date the unit became producing or the date the lease is committed to a producing unit, whichever is later). Use when the lease is committed to a producing unit, but is not within a PA. Enter unit serial number in Action Remarks. Use in conjunction with the 653 and 643 codes. Use a numeric tie with the 643 code in Action Remarks. Use of the code is mandatory each time a lease is committed to a producing unit but is not included in a PA. Therefore, the code can be used more than once on a lease if the lease is committed to more than one unit during its life.

H-3107-1 - CONTINUATION, EXTENSION, OR RENEWAL OF LEASES

643 - PRODUCTION DETERMINATION

Enter date the applicable first production memo or last production memo is signed, or the date the PA or PA Revision approval or termination is signed. This code is to be cross-referenced with the appropriate Action Code (658, 659, 660, 646, or 647) through the use of a numeric tie in Action Remarks.

NOTE: Use of this code is mandatory only for actions occurring after February 1, 1990, and should not be entered retroactively.

232 - LEASE COMMITTED TO UNIT

Enter date the lease is committed to the unit agreement. Enter the unit serial number in Action Remarks. Codes 232 - LEASE COMMITTED TO UNIT and, if applicable, 700 - LEASE SEGREGATED are used on the committed lease. 209 - CASE CREATED BY SEGR is used on the non-committed segregated lease.

233 - LEASE IN UNIT/UNCOMMIT'D

Enter effective date of the unit agreement or the lease effective date, whichever is later. Enter the unit serial number in Action Remarks. Use for leases within but not committed to a unit, or where a new lessee is permitted to operate independently (43CFR3101.3-1). If only part of the lands are within a unit area, enter an alpha indicator (/A/) tie to General Remarks, and list the lands which are within the unit area there. Remove this code once the lease is committed to the unit. Enter the deleted information in General Remarks for historical purposes, if necessary.

246 - LEASE COMMITTED TO CA

Enter date communitization agreement is effective or the lease effective date, whichever is later. Enter CA serial number in Action Remarks. If the CA has an old contract number, it is optional to either enter the number after a semicolon after the CA serial number in Action Remarks, or cross-reference it in General Remarks (See Examples).

691 - AGRMT INVALIDATED

Enter date it is determined that the agreement is invalidated because the public interest requirement was not met. Enter the CA or Unit serial number in Action Remarks (EX: COC65788X).

657 - EXT BY PROD (YATES DEC)

Enter effective date that the lease is determined held by conditions contained in IBLA Yates Decision (see Yates Petroleum Corp., 67 IBLA 246, dated September 24, 1982). That is, production is established on a unit well in insufficient quantities to meet the paving well criteria under the terms of the unit to cause the unit to enter a producing

H-3107-1 - CONTINUATION, EXTENSION, OR RENEWAL OF LEASES

status (does not cover drilling and production costs), but will serve to extend all leases committed to the unit because the production is sufficient on a lease basis (covers operating and marketing costs). Enter unit serial number in Action Remarks. Use only on those leases that are actually held by the Yates Decision. Mandatory for use when this situation occurs but only on those leases it affects. Because this is the only indication of why the lease didn't expire, code 657 is not removed when the unit becomes productive or terminates.

648 - EXT BY PROD ON ASSOC LSE

Enter effective date of segregation notice which extends the lease. Enter serial number of associated lease in Action Remarks. Mandatory to use on segregated leases that are held by production on their parent or associated leases.

245 - LSE COMMITTED TO GSA

Enter date gas storage agreement is effective. Enter GSA serial number in Action Remarks. Mandatory use on leases committed to GSA. If the lease is issued after the effective date of the GSA, enter effective date of lease.

243 - LEASE SUBJECT TO DC

Enter date Development Contract (DC) is effective. Enter serial number in Action Remarks. If lease is issued after effective date of DC, enter effective date of lease. Mandatory use on all federal leases that are exempt from chargeability due to the DC.

649 - LEASE PAYING MIN ROYALTY

Enter date production ceased. To be used on leases on which actual production has ceased during primary or fixed term, etc. Use in conjunction with codes 763 - EXPIRES, 646 - MEMO LAST PROD-ACTUAL, 647 - MEMO LAST PROD-ALLOC, and 235 - EXTENDED.

763 - EXPIRES

Enter expiration date (future date allowed). Mandatory for use on leases that remain on AFS after all production ceased. Use in conjunction with 649 - LEASE PAYING MIN ROYALTY. At this time AFS does not provide a list of leases that expire under their jurisdiction. Use of this code will provide BLM the capability of calling these leases up at the appropriate time to be processed with the BRASS expirations.

3. CESSATION OF PRODUCTION CODES

Last production codes are divided into two categories. The first category of codes is intermediary codes which are used more for historical purposes. These codes are to be used in conjunction with historical codes to reflect

H-3107-1 - CONTINUATION, EXTENSION, OR RENEWAL OF LEASES



H-3107-1 - CONTINUATION, EXTENSION, OR RENEWAL OF LEASES

248 - DC TERMINATED

Enter date DC terminated. Enter DC serial number in Action Remarks.

The second category of last production codes is used when sources of actual or allocated production have ceased.

646 - MEMO OF LAST PROD - ACTUAL

Enter the effective date of last actual production as indicated in the Memo or Determination of Last Production for the lease or CA. If the production source is from a PA, enter effective date of PA termination. If the well is a CA or unit well, enter the serial number of the CA or PA and the well number in Action Remarks. If the well is only a leasehold well, enter just the well number in Action Remarks. Use in conjunction with 643 - PRODUCTION DETERMINATION. Use a numeric tie with the 648 code in Action Remarks. The 650 code is removed when the last source of actual production ceases.

647 - MEMO OF LAST PROD - ALLOC

Enter the effective date of last allocated production as indicated in the Memo or Determination of Last Production for the CA. If the production source is from a PA, enter effective date of PA termination. Enter the serial number of PA or CA in Action Remarks. Use in conjunction with 643 - PRODUCTION DETERMINATION. Use a numeric tie with the 643 code in Action Remarks. The 651 code is removed when the last source of allocated production ceases.

The following four examples are provided in a manner that you can follow the progression of lease events. Each example begins with a summary sheet that gives the scenario and a list, with a short description of the chain of events contained within the example. Following the summary sheets are action sheets that list the codes required by the event. Included is a discussion of the entry in relationship to the lease. After the codes and discussion, examples are provided of what the reader can determine from the SRP at that point in time, either by a quick review or through analysis of the event codes. Following the action sheets is a sample SRP which reflects the coding for the actions described. For each event, a separate action sheet and SRP are provided to illustrate the coding required and the adding, changing and removing of the current production status codes.

When reading the analysis of what the reader can determine from the SRP, remember that the "reader" is any number of people. The reader will include industry, the District and Resource Area Offices, MMS (both Bonus and Rental Accounting Support System (BRASS) and Auditing and Financial System (AFS), and various State Office personnel (including Adjudication, Fluid Minerals and Public Room personnel).

H-3107-1 - CONTINUATION, EXTENSION, OR RENEWAL OF LEASES

EXAMPLES p. 1

EXAMPLE 1 (COC60001)

Scenario:

The lease receives leasehold production. Production ceases with time remaining in the primary term of the lease. The account is transferred to AFS. All or part of the lands are determined to be within a KGS area and the rental is increased, effective lease year August 1, 1979.

Action 1:

First production is established on the lease.

Action 2:

Last production is established on the lease.

H-3107-1 - CONTINUATION, EXTENSION, OR RENEWAL OF LEASES

EXAMPLES p. 2

Action 1

07/25/1978 650 HELD BY PROD - ACTUAL

From the first production memo it was determined that production was established on July 25, 1978, on the leasehold. Code 650 is used when the well is on the leasehold.

07/25/1978 658 MEMO OF 1ST PROD - ACTUAL /1/23-1

Code 658 is used in conjunction with the 650 and 643 codes. Enter this code for each Memo of First Production when the well is on the leasehold. Enter the well number as the cross-reference.

08/1/1978 643 PRODUCTION DETERMINATION /1/

Memo of First Production was signed and dated August 1, 1978. Use in conjunction with code 658.

From this SRP the reader can determine:

1. The lease is producing.
2. The source of production is actual production on the leasehold from well number 23-1.
3. The account will most likely never return to BRASS to pay rentals at an increased rate.
4. First production was established on the leasehold on July 25, 1978, from well number 23-1. The Memo of First Production was written on August 1, 1978.
5. The lease account was transferred to APS on August 3, 1978, effective July 25, 1978.
6. Rentals at 50. per acre ceased and minimum royalty at \$1.00 per acre or royalty began with the next lease year, August 1, 1978.
7. All or part of the lands were determined to be within the Pierce Field KGS on September 15, 1978, and the rental rate was increased to \$2.00 per acre effective lease year August 1, 1979, should any of the KGS lands return to a rental status on BRASS.

Example 1 (COC600001)

H-3107-1 - CONTINUATION, EXTENSION, OR RENEWAL OF LEASES

USDI * BUREAU OF LAND MANAGEMENT COLORADO STATE OFFICE

SERIAL REGISTER PAGE

GEO STATE: COLORADO SERIAL NO: COC 60001
 CASE TYPE: 311111 OIL-GAS LEASE (NC, PD)
 LEGAL REF: O&G LEASE (NC, PD): ACT 2/25/1920, 30 COMMODITY: OIL & GAS

NAME	ADDRESS	% INTRST INTEREST
ABC CORPORATION	2850 YOUNGFIELD ST LAKEWOOD, CO 80215	100.00000 LESSEE

M_	TOWN	RANGE	SEC	SUBDIVISION	SURFACE MGMT AGENCY
23	34.0N	6.0W	23	PROT ALL	
			26	PROT ALL	

***** TOTAL ACRES: 1484.000 *****

ACTN DATE	CODE	ACTION	ACTION REMARKS	PEND ACT
09/06/1975	124	APLN RECEIVED		
08/01/1976	868	EFFECTIVE DATE		
07/25/1978	650	HELD BY PROD (ACTUAL)		
07/25/1978	658	MEMO OF 1ST PROD-ACTUAL	/1/#23-1	
08/01/1978	643	PRODUCTION DETERMINATION	/1/	
08/03/1978	102	ACCOUNT TFRD TO AFS	EPF 7-25-78	
09/15/1978	510	KMA CLASSIFIED	PIERCE FIELD	
10/22/1978	315	RENTAL RATE ADJUSTED	\$2.00;AC	

STATE	ENTITY	ACRES
COLORADO	MONTROSE DISTRICT	
COLORADO	SAN JUAN RA	
COLORADO	ARCHULETA COUNTY	

CASE DISPOSITION: 08/01/1976 AUTHORIZED

H-3107-1 - CONTINUATION, EXTENSION, OR RENEWAL OF LEASES

EXAMPLES p. 3

Action 2

02/10/1985 646 MEMO OF LAST PROD-ACTUAL /2/#23-1

From the last production memo it is determined that last production was established on February 10, 1985. Since the only source of actual production has ceased production, the 650 code is removed. Use in conjunction with code 643.

02/10/1985 649 LEASE PAYING MIN ROYALTY

Lease COC60001 was issued effective August 1, 1976. When production ceased on February 10, 1985, there was over a year and a half of the primary term remaining. Because this lease had a well capable of producing in paying quantities, even though production has ceased, the lease does not return to BRASS. Lease COC60001 will remain on AFS in a minimum royalty status for the remainder of its term.

02/28/1985 643 PRODUCTION DETERMINATION /2/

Use in conjunction with code 646.

07/31/1986 763 EXPIRES

Use in conjunction with 649 - LEASE PAYING MIN ROYALTY. Provides BLM with the capability of calling these leases up and expiring them. As stated previously, AFS does not report these leases to BLM when they expire.

From this SRP the reader can determine:

1. The lease has no production on or attributed to the lease. The absence of a current production code alerts the reader that there is no current production on the lease. The 646 code advises the reader that production has ceased.
2. First production was established on the leasehold on July 25, 1978.
3. The lease account was transferred to AFS on August 3, 1978, effective July 25, 1978, from well number 23-1. The Memo of First Production was written on August 1, 1978.
4. Rentals at 50. per acre ceased and minimum royalty at \$1.00 per acre or royalty began with the next lease year, August 1, 1978.
5. All or part of the lands were determined to be within the Pierce Field KGS on September 15, 1978, and the rental rate was increased to \$2.00 per acre effective lease year August 1, 1979, should any of the KGS lands return to a rental status on BRASS.
6. Production on the lease ceased effective February 10, 1985. The Memo of Last Production was written February 28, 1985.
7. Because the lease had a producing well on it, the lease account will not return to BRASS; therefore, the account will remain on AFS, paying minimum royalty at \$1.00 per acre instead of \$2.00 per acre rental.
8. The lease will expire July 31, 1986.

Example 1 (COC60001)

H-3107-1 - CONTINUATION, EXTENSION, OR RENEWAL OF LEASES

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H-3107-1 - CONTINUATION, EXTENSION, OR RENEWAL OF LEASES

EXAMPLES p. 4

EXAMPLE 2 (COC60002)

Scenario:

The lease was committed to a CA, received allocated production from the CA, the CA terminated and the lease is extended. The account is transferred to AFS. All or part of the lands are determined to be within a KGS area and the rental rate is increased, effective lease year August 1, 1978. The account is then returned to BRASS.

Action 1:

The lease is committed to a CA (COC12345) and first production is established.

Action 2:

Last production is established and the lease is extended.

H-3107-1 - CONTINUATION, EXTENSION, OR RENEWAL OF LEASES

EXAMPLES p. 5

Action 1

04/01/1977 246 LEASE COMMITTED TO CA COC12345;NRM-1886

Lease CDC60002 was committed to CA NRM-1886, serialized as COC12345, on April 1, 1977.

05/07/1977 651 HELD BY PROD - ALLOCATED

The Memo of First Production on the CA established the first production date as May 7, 1977. It was determined that the well is NOT on this lease. There is no other source of production on the lease; therefore, a 651 code is entered.

05/07/1977 660 MEMO OF 1ST PROD - ALLOC /1/COC12345

Code 660 is used in conjunction with codes 651 and 643. Enter this code for each Memo of First Production indicating allocated production. This provides a tracking system to identify the "sources" of production on the lease. Use in conjunction with code 643.

06/02/1977 643 PRODUCTION DETERMINATION /1/

Use in conjunction with code 660. The Memo of First Production was signed and dated June 2, 1977.

From the SRP the reader can determine:

1. The lease is a producing lease.
2. The primary source of production is allocated production.
3. The lease is committed to CA NRM-1886, serialized as COC12345.
4. First production was established within the CA on May 7, 1977, from an off-lease well. The Memo of First Production was written June 2, 1977.
5. The lease account was transferred to AFS on May 27, 1977, effective May 7, 1977.
6. Rentals at 50. per acre ceased and minimum royalty at \$1.00 per acre or royalty began with the next lease year, August 1, 1978.
7. All or part of the lands were determined to be within the Hawkeye Field KGS. Effective lease year beginning August 1, 1978, the rental rate was increased to \$2.00 per acre should any of the KGS lands return to a rental status on BRASS.

Example 2 (COC60002)

H-3107-1 - CONTINUATION, EXTENSION, OR RENEWAL OF LEASES

USDI * BUREAU OF LAND MANAGEMENT COLORADO STATE OFFICE

SERIAL REGISTER PAGE

GEO STATE: COLORADO SERIAL NO: COC 60002
CASE TYPE: 311111 OIL-GAS LEASE (NC, PD)
LEGAL REP: O&G LEASE (NC, PD): ACT 2/25/1920, 30 COMMODITY: OIL & GAS

NAME	ADDRESS	% INTRST INTEREST
ABC CORPORATION	2850 YOUNGFIELD ST LAKEWOOD, CO 80215	100.00000 LESSEE

M	TOWN	RANGE	SEC	SUBDIVISION	SURFACE MGMT AGENCY
23	34.0N	6.0W	23	PROT ALL	
			26	PROT ALL	

***** TOTAL ACRES: 1484.000 *****

ACTN DATE	CODE	ACTION	ACTION REMARKS	PEND ACT
05/07/1976	124	APLN RECEIVED		
08/01/1976	868	EFFECTIVE DATE		
04/01/1977	246	LEASE COMMITTED TO CA	COC12345:NRM-1886	
05/07/1977	651	HELD BY PROD (ALLOCATED)		
05/07/1977	660	MEMO OF 1ST PROD-ALLOC	/1/COC12345	
06/02/1977	643	PRODUCTION DETERMINATION	/1/	
06/07/1977	102	ACCOUNT TRFD TO APS	EFF 5-7-77	
07/07/1977	510	KMA CLASSIFIED	HAWKEYE FIELD	
08/30/1977	315	RENTAL RATE ADJUSTED	\$2.00:AC	

STATE	ENTITY	ACRES
COLORADO	MONTROSE DISTRICT	
COLORADO	SAN JUAN RA	
COLORADO	ARCHULETA COUNTY	

CASE DISPOSITION: 08/01/1976 AUTHORIZED

H-3107-1 - CONTINUATION, EXTENSION, OR RENEWAL OF LEASES

EXAMPLES p. 6

Action 2

06/02/1987 522 CA TERMINATED COC12345

From the last production memo for the CA it was determined that the last production date was June 2, 1987, and that the CA terminated the same day.

06/02/1987 647 MEMO OF LAST PROD-ALLOC /2/COC12345

From the Notice of Last Production and a quick review of the SRP, it was determined that there is no other source of allocated production; therefore, the 651 code was removed. Enter a CA serial number in Action Remarks. Use in conjunction with code 643.

06/30/1987 643 PRODUCTION DETERMINATION /2/

The Memo of Last Production was signed and dated June 30, 1987. Use in conjunction with code 647.

From this SRP the reader can determine:

1. The lease has no production on or attributed to it. The absence of a current production code alerts the reader that there is no current production on the lease. The 646 code advises the reader that all production from the CA has ceased.
2. The lease was committed to CA NRM-1886, serialized as COC12345.
3. First production was established within the CA on May 7, 1977.
4. The lease account was transferred to APS on May 27, 1977, effective May 7, 1977.
5. Rentals at 50. per acre ceased and minimum royalty at \$1.00 per acre or royalty began with the next lease year, August 1, 1978.
6. All or part of the lands were determined to be within the Hawkeye Field KGS. Effective lease year beginning August 1, 1978, the rental rate was increased to \$2.00 per acre should any of the KGS lands return to a rental status on BRASS.
7. CA COC12345 (NRM-1886) ceased producing and terminated on June 2, 1987. CA COC12345 was the only source of production on the lease. The Memo of Last Production was signed June 30, 1987.
8. As a result of the termination of the CA, the lease received a two-year extension, through June 2, 1989.
9. Because the lease has no production on or attributed to it and never had a producing well on the leasehold, the lease has been returned to BRASS.
10. Beginning with lease year August 1, 1987, rental at \$2.00 per acre is due to BRASS.

Example 2 (COC60002)

H-3107-1 - CONTINUATION, EXTENSION, OR RENEWAL OF LEASES

USDI * BUREAU OF LAND MANAGEMENT COLORADO STATE OFFICE

SERIAL REGISTER PAGE

GEO STATE: COLORADO SERIAL NO: COC 60002 A
CASE TYPE: 311111 OIL-GAS LEASE (NC, PD)
LEGAL REF: O&G LEASE (NC, PD): ACT 2/25/1920, 30 COMMODITY: OIL & GAS

NAME	ADDRESS	% INTRST INTEREST
ABC CORPORATION	2850 YOUNGFIELD ST LAKEWOOD, CO 80215	100.00000 LESSEE

M	TOWN	RANGE	SEC	SUBDIVISION	SURFACE MGMT AGENCY
23	34.0N	6.0W	23	PROT ALL	
			26	PROT ALL	

***** TOTAL ACRES: 1484.000 *****

ACTN DATE	CODE	ACTION	ACTION REMARKS	PEND ACT
05/07/1976	124	APLN RECEIVED		
08/01/1976	868	EFFECTIVE DATE		
04/01/1977	246	LEASE COMMITTED TO CA	COC12345;NRM-1886	
05/07/1977	660	MEMO OF 1ST PROD-ALLOC	/1/COC12345	
06/02/1977	643	PRODUCTION DETERMINATION	/1/	
06/07/1977	102	ACCOUNT TRFD TO AFS	EFF 5-7-77	
07/07/1977	510	KMA CLASSIFIED	HAWKEYE FIELD	
08/30/1977	315	RENTAL RATE ADJUSTED	\$2.00:AC	
06/02/1987	522	CA TERMINATED	COC12345	
06/02/1987	647	MEMO OF LAST PROD-ALLOC	/2/COC12345	
06/30/1987	643	PRODUCTION DETERMINATION	/2/	
07/15/1987	058	ACCT TRFD AFS TO BRASS	EFF 6-2-87	
07/15/1987	235	EXTENDED	THROUGH 6-2-89	
06/02/1989	763	EXPIRES		

STATE	ENTITY	ACRES
COLORADO	MONTROSE DISTRICT	
COLORADO	SAN JUAN RA	
COLORADO	ARCHULETA COUNTY	

CASE DISPOSITION: 08/01/1976 AUTHORIZED

H-3107-1 - CONTINUATION, EXTENSION, OR RENEWAL OF LEASES

EXAMPLES p. 7

EXAMPLE 3 (COC60003)

Scenario:

The lease is committed to three CA's, received allocated production from two CA's and actual production from one. The account is transferred to APS. All or part of the lands have been determined to be within a KGS area and the rental was increased effective lease year June 1, 1975. In turn, each of the CA's ceased producing and terminated.

Action 1:

The lease is committed to the first CA (COC56789) and received allocated production from the CA.

Action 2:

The lease is committed to the second CA (COC67890) and is now considered held by actual production as the CA well is on the leasehold. The lease is committed to the third CA (COC45678) and received allocated production from the CA.

Action 3:

Last production was established on CA COC45678. The CA terminated and the lease was extended. Last production is established on CA COC67890. The CA terminated and the lease was extended.

Action 4:

Last production is established on CA COC56789. The CA terminated and the lease was extended.

EXAMPLES p. 8

Action 1

05/01/1974 246 LEASE COMMITTED TO CA COC56789

Effective May 1, 1974, lease COC60003 was committed to CA CO050P0877C101, serial no. COC56789. Some of the old contract numbers are too long to put in Action Remarks. Therefore, if optionally including this contract number in the SRP, it should appear in General Remarks and be referenced with an alpha tie.

08/14/1974 651 HELD BY PROD - ALLOCATED

Enter date of first production on the CA. From the Memo of First Production it is determined that the well is not on this lease. There is no other production on this lease so the primary production code is 651.

08/14/1974 660 MEMO OF 1ST PROD - ALLOC /1/COC56789

This is based on the Memo of First Production and used in conjunction with codes 651 and 643.

09/02/1974 643 PRODUCTION DETERMINATION /1/

Use in conjunction with code 660.

From this SRP the reader can determine:

1. The lease is producing.
2. The lease is committed to CA COC56789, effective May 1, 1974.
3. The lease is held by allocated production on CA COC56789, with first production date of August 14, 1974. The Memo of First Production was signed on September 2, 1974.
4. The account was transferred to AFS on September 15, 1974, effective August 14, 1974.
5. Rentals at 50. per acre ceased and minimum royalty at \$1.00 per acre or royalty began with the next lease year, June 1, 1975.
6. Part or all of the lands have been classified as being within a KGS and the rental rate is increased to \$2.00 per acre, should any of the KGS lands return to a rental status on BRASS.

Example 3 (COC60003)

H-3107-1 - CONTINUATION, EXTENSION, OR RENEWAL OF LEASES

USDI * BUREAU OF LAND MANAGEMENT COLORADO STATE OFFICE

SERIAL REGISTER PAGE

GEO STATE: COLORADO SERIAL NO: COC 60003
CASE TYPE: 311211 OIL-GAS SIM LSE (PD)

LEGAL REF: O&G SIM LSE (PD): ACT 2/25/1920, 30 U COMMODITY: OIL & GAS

NAME	ADDRESS	% INTRST INTEREST
ABC CORPORATION	2850 YOUNGFIELD ST LAKEWOOD, CO 80215	100.00000 LESSEE

M	TOWN	RANGE	SEC	SUBDIVISION	SURFACE MGMT AGENCY
06	6.0S	94.0W	16	LOT 4,5	
			17	LOT 1,7-10,15,16	
			20	NENE	
			21	N2NW	

***** TOTAL ACRES: 476.100 *****

ACTN DATE	CODE	ACTION	ACTION REMARKS	PEND ACT
03/22/1971	387	CASE ESTABLISHED		
03/22/1971	888	DRAWING HELD		
06/01/1971	868	EFFECTIVE DATE		
05/01/1974	246	LEASE COMMITTED TO CA	/A/COC56789	
08/14/1974	651	HELD BY PROD (ALLOCATED)		
08/14/1974	660	MEMO OF 1ST PROD-ALLOC	/1/COC56789	
09/02/1974	643	PRODUCTION DETERMINATION	/1/	
09/15/1974	102	ACCOUNT TFRD TO APS	EFF 8-14-74	
01/04/1975	510	KMA CLASSIFIED	LYON FIELD	
03/10/1975	315	RENTAL RATE ADJUSTED	\$2.00;AC	

COMMENTS:

01 /A/COC050P0877C101

STATE	ENTITY	ACRES
COLORADO	GRAND JUNCTION DISTRICT	
COLORADO	GLENWOOD SPRINGS RA	
COLORADO	GARFIELD COUNTY	

CASE DISPOSITION: 06/01/1971 AUTHORIZED

H-3107-1 - CONTINUATION, EXTENSION, OR RENEWAL OF LEASES

EXAMPLES p. 9

Action 2

02/01/1977 246 LEASE COMMITTED TO CA COC67890

Lease COC60003 is committed to CA CO050P0877C103, serialized as COC67890, effective February 1, 1977.

03/10/1977 650 HELD BY PROD - ACTUAL

The Memo of First Production for CA COC67890 indicates that the CA well is on lease COC60003. Previously, the only source of production on this lease was allocated; therefore, the primary production code was 651. Because actual production takes precedence over allocated, the production code 651 is deleted and 650 is entered using the date the actual production began.

03/10/1977 658 MEMO OF 1ST PROD - ACTUAL /2/COC67890;#20-1

Based on the Memo of First Production, code 658 is used in conjunction with the 650 code.

03/25/1977 643 PRODUCTION DETERMINATION /2/

Use in conjunction with code 643.

06/02/1977 246 LEASE COMMITTED TO CA COC45678

Lease COC60003 is committed to a third CA, CO050P0877C105, serialized as COC45678.

06/07/1977 660 MEMO OF 1ST PROD - ALLOC /3/COC45678

This entry is made based on of the Memo of First Production for CA COC45678. In this situation this code is used independently of the 651 code. This lease now has actual production and as stated, code 650 supersedes all of the other production codes. Because we have a 650 code, we will not enter a 651 code, but we do enter the 660 code, as this is a new source of production.

06/30/1977 643 PRODUCTION DETERMINATION /3/

Use in conjunction with code 660.

From this SRP the reader can determine:

1. The lease is a producing lease.
2. The primary source of production is now actual.
3. The lease is now committed to three CA's: COC56789, COC67890 and COC45678.
4. First Production was established on August 14, 1974, from CA COC56789.

H-3107-1 - CONTINUATION, EXTENSION, OR RENEWAL OF LEASES

EXAMPLES p. 10

5. The lease account was transferred to APS on September 15, 1974, effective August 14, 1974.
6. Rentals of 50. per acre ceased and minimum royalty at \$1.00 per acre or royalty began with the next lease year, June 1, 1975.
7. Actual production was established from CA No. COC67890, on March 10, 1977.
8. The account will most likely never return to BRASS to pay rentals at an increased rate.
9. All or part of the lands have been classified as being within the Lyon Field KGS and the rental is increased to \$2.00 per acre, should any of the KGS lands return to a rental status on BRASS.
10. The lease now has two sources of allocated production (COC56789 and COC45678) and one source of actual production (COC67890).

Example 3 (COC60003)

H-3107-1 - CONTINUATION, EXTENSION, OR RENEWAL OF LEASES

USDI * BUREAU OF LAND MANAGEMENT COLORADO STATE OFFICE

SERIAL REGISTER PAGE

GEO STATE: COLORADO SERIAL NO: COC 60003 A
 CASE TYPE: 311211 OIL-GAS SIM LSE (PD)
 LEGAL REF: O&G SIM LSE (PD): ACT 2/25/1920, 30 U COMMODITY: OIL & GAS

NAME	ADDRESS	% INTRST INTEREST
ABC CORPORATION	2850 YOUNGFIELD ST LAKEWOOD, CO 80215	100.00000 LESSEE

M	TOWN	RANGE	SEC	SUBDIVISION	SURFACE MGMT AGENCY
06	6.0S	94.0W	16	LOT 4,5	
			17	LOT 1,7-10,15,16	
			20	NENE	
			21	N2NW	

***** TOTAL ACRES: 476.100 *****

ACTN DATE	CODE	ACTION	ACTION REMARKS	PEND ACT
03/22/1971	387	CASE ESTABLISHED		
03/22/1971	888	DRAWING HELD		
06/01/1971	868	EFFECTIVE DATE		
05/01/1974	246	LEASE COMMITTED TO CA	/A/COC56789	
08/14/1974	660	MEMO OF 1ST PROD-ALLOC	/1/COC56789	
09/02/1974	643	PRODUCTION DETERMINATION	/1/	
09/15/1974	102	ACCOUNT TFRD TO AFS	EFF 8-14-74	
01/04/1975	510	KMA CLASSIFIED	LYON FIELD	
03/10/1975	315	RENTAL RATE ADJUSTED	\$2.00:AC	
02/01/1977	246	LEASE COMMITTED TO CA	/B/COC67890	
03/10/1977	650	HELD BY PROD (ACTUAL)		
03/10/1977	658	MEMO OF 1ST PROD-ACTUAL	/2/COC67890:\$20-1	
03/25/1977	643	PRODUCTION DETERMINATION	/2/	
06/02/1977	246	LEASE COMMITTED TO CA	/C/COC45678	
06/07/1977	660	MEMO OF 1ST PROD-ALLOC	/3/COC45678	
06/30/1977	643	PRODUCTION DETERMINATION	/3/	

COMMENTS:

01 /A/CO050P0877C101
 02 /B/CO050P0877C103
 03 /C/CO050P0877C105

STATE	ENTITY	ACRES
COLORADO	GRAND JUNCTION DISTRICT	
COLORADO	GLENWOOD SPRINGS RA	
COLORADO	GARFIELD COUNTY	

CASE DISPOSITION: 06/01/1971 AUTHORIZED

H-3107-1 - CONTINUATION, EXTENSION, OR RENEWAL OF LEASES

EXAMPLES p. 11

Action 3

01/09/1984 522 CA TERMINATED COC45678

This entry was made based on receipt of the Memo of Last Production for CA COC45678. The last production date was established as January 9, 1984, the CA terminated on the same day.

01/09/1984 647 MEMO OF LAST PROD-ALLOC /4/COC45678

This code is used each time a source of production ceases.

01/30/1984 643 PRODUCTION DETERMINATION /4/

Use in conjunction with code 647.

06/10/1985 522 CA TERMINATED COC67890

This entry was made based on the Memo of Last Production for CA COC67890. The last production date was established as June 10, 1985; the CA terminated on the same day.

06/10/1985 646 MEMO LAST PROD-ACTUAL /5/COC67890

This code is used each time a source of production ceases. Because all actual production has ceased, the 650 code is removed and the 651 code entered using the date of change.

06/30/1985 643 PRODUCTION DETERMINATION /5/

Use in conjunction with code 643.

From this SRP the reader can determine:

1. The lease is a producing lease.
2. The primary source of production is allocated production.
3. First production was established on August 14, 1974, from CA COC56789.
4. The lease account was transferred to AFS on September 15, 1974, effective August 14, 1974.
5. Rentals at 50. per acre ceased and minimum royalty at \$1.00 per acre or royalty began with the next lease year, June 1, 1975.
6. Actual production was established from CA No. COC67890; on March 10, 1977.
7. The account will most likely never return to BRASS to pay rentals at an increased rate.
8. All or part of the lands have been classified as being within the Lyon Field KGS and the rental is increased to \$2.00 per acre, should any of the KGS lands return to a rental status on BRASS.

H-3107-1 - CONTINUATION, EXTENSION, OR RENEWAL OF LEASES

EXAMPLES p. 12

9. CA COC45678 ceased production and terminated effective January 9, 1984.
10. CA COC67890 ceased production and terminated effective June 10, 1985.
11. The lease is now committed to one CA: COC56789
12. The lease now has one source of allocated production; therefore, it remains in an indefinite term.
13. The lease was extended for a period of time to be no less than through January 9, 1986, due to the termination of COC45678.
14. The lease was extended for a period of time to be no less than through June 10, 1987, due to the termination of COC67890.

Example 3 (COC60003)

H-3107-1 - CONTINUATION, EXTENSION, OR RENEWAL OF LEASES

USDI * BUREAU OF LAND MANAGEMENT COLORADO STATE OFFICE

SERIAL REGISTER PAGE

GEO STATE: COLORADO SERIAL NO: COC 60003 B
CASE TYPE: 311211 OIL-GAS SIM LSE (PD)
LEGAL REF: O&G SIM LSE (PD): ACT 2/25/1920, 30 U COMMODITY: OIL & GAS

NAME	ADDRESS	% INTRST INTEREST
ABC CORPORATION	2850 YOUNGFIELD ST LAKEWOOD, CO 80215	100.00000 LESSEE

M.	TOWN	RANGE	SEC	SUBDIVISION	SURFACE MGMT AGENCY
06	6.0S	94.0W	16	LOT 4.5	
			17	LOT 1,7-10,15,16	
			20	NENE	
			21	N2NW	

***** TOTAL ACRES: 476.100 *****

ACTN DATE	CODE	ACTION	ACTION REMARKS	PEND ACT
03/22/1971	387	CASE ESTABLISHED		
03/22/1971	888	DRAWING HELD		
06/01/1971	868	EFFECTIVE DATE		
05/01/1974	246	LEASE COMMITTED TO CA	/A/COC56789	
08/14/1974	660	MEMO OF 1ST PROD-ALLOC	/1/COC56789	
09/02/1974	643	PRODUCTION DETERMINATION	/1/	
09/15/1974	102	ACCOUNT TPRD TO AFS	EFF 8-14-74	
01/04/1975	510	KMA CLASSIFIED	LYON FIELD	
03/10/1975	315	RENTAL RATE ADJUSTED	\$2.00;AC	
02/01/1977	246	LEASE COMMITTED TO CA	/B/COC67890	
03/10/1977	658	MEMO OF 1ST PROD-ACTUAL	/2/COC67890;#20-1	
03/25/1977	643	PRODUCTION DETERMINATION	/2/	
06/02/1977	246	LEASE COMMITTED TO CA	/C/COC45678	
06/07/1977	660	MEMO OF 1ST PROD-ALLOC	/3/COC45678	
06/30/1977	643	PRODUCTION DETERMINATION	/3/	
01/09/1984	522	CA TERMINATED	COC45678	
01/09/1984	647	MEMO OF LAST PROD-ALLOC	/4/COC45678	
01/30/1984	643	PRODUCTION DETERMINATION	/4/	
02/10/1984	235	EXTENDED	THROUGH 1/9/86	
06/10/1985	522	CA TERMINATED	COC67890	
06/10/1985	646	MEMO OF LAST PROD-ACTUAL	/5/COC67890;#20-1	
06/10/1985	651	HELD BY PROD (ALLOCATED)		
06/30/1985	643	PRODUCTION DETERMINATION	/5/	
09/02/1985	235	EXTENDED	THROUGH 6-10-87	

COMMENTS:

01 /A/CO050P0877C101
02 /B/CO050P0877C103
03 /C/CO050P0877C105

STATE	ENTITY	ACRES
COLORADO	GRAND JUNCTION DISTRICT	
COLORADO	GLENWOOD SPRINGS RA	
COLORADO	GARFIELD COUNTY	

CASE DISPOSITION: 06/01/1971 AUTHORIZED

H-3107-1 - CONTINUATION, EXTENSION, OR RENEWAL OF LEASES

EXAMPLES p. 13

Action 4

01/02/1988 522 CA TERMINATED COC56789

This entry was made based on receipt of the Memo of Last Production for CA COC56789. The Last production date was established as January 2, 1988. The CA terminated on the same day. The lease received a two-year extension due to the termination of the CA.

01/02/1988 647 MEMO OF LAST PROD-ALLOC /6/COC56789

When CA COC56789 ceased production and terminated, the last source of production ceased. The 651 code is also removed at this time. Use in conjunction with code 643.

01/02/1988 649 LEASE PAYING MIN ROYALTY

Because all production has ceased on this lease, royalty from production will no longer be due. Having had a producing well on the leasehold, the lease will not be returned to BRASS. The lease will serve out its remaining term in a minimum royalty status on AFS.

01/02/1990 763 EXPIRES

Used in conjunction with 649.

01/29/88 643 PRODUCTION DETERMINATION /6/

Use in conjunction with code 647.

From this SRP the reader can determine:

1. The lease is not a producing lease.
2. First production was established on August 14, 1974, from CA COC56789.
3. The lease account was transferred to AFS on September 15, 1974, effective August 14, 1974.
4. Rentals at 50. per acre ceased and minimum royalty at \$1.00 per acre or royalty began with the next lease year, June 1, 1975.
5. Actual production was established from CA No. COC67890, on March 10, 1977.
6. The account will most likely never return to BRASS to pay rentals at an increased rate.

Example 3 (COC60003)

H-3107-1 - CONTINUATION, EXTENSION, OR RENEWAL OF LEASES

EXAMPLES p. 14

7. All or part of the lands have been classified as being within the Lyon Field KGS and the rental is increased to \$2.00 per acre, should any of the KGS lands return to a rental status on BRASS.
8. CA COC45678 ceased production and terminated effective January 9, 1984.
9. CA COC67890 ceased production and terminated effective June 10, 1985.
10. CA COC56789 ceased production and terminated effective January 2, 1988.
11. The lease was extended for a period of time to be no less than through January 9, 1986, due to the termination of COC45678.
12. The lease was extended for a period of time to be no less than through June 10, 1987, due to the termination of COC67890.
13. The lease was extended for a period of time to be no less than through January 2, 1990, due to the termination of COC56789.
14. There is no production on the lease as of January 2, 1988.
15. The lease remained on AFS paying minimum royalty for the rest of its term.
16. The lease expires January 2, 1990.

Example 3 (COC60003)

H-3107-1 - CONTINUATION, EXTENSION, OR RENEWAL OF LEASES

USDI * BUREAU OF LAND MANAGEMENT COLORADO STATE OFFICE

SERIAL REGISTER PAGE

GEO STATE: COLORADO SERIAL NO: COC 60003 C
CASE TYPE: 311211 OIL-GAS SIM LSE (PD)
LEGAL REF: O&G SIM LSE (PD): ACT 2/25/1920, 30 U COMMODITY: OIL & GAS

NAME ADDRESS % INTRST INTEREST
ABC CORPORATION 2850 YNGFLD, LKWD, CO 100.00000 LESSEE

M TOWN RANGE SEC SUBDIVISION SURFACE MGMT AGENCY
06 6.0S 94.0W 16 LOT 4,5
17 LOT 1,7-10,15,16
20 NENE
21 N2NW

***** TOTAL ACRES: 476.100 *****

ACTN DATE	CODE	ACTION	ACTION REMARKS	PEND ACT
03/22/1971	387	CASE ESTABLISHED		
03/22/1971	888	DRAWING HELD		
06/01/1971	868	EFFECTIVE DATE		
05/01/1974	246	LEASE COMMITTED TO CA	/A/COC56789	
08/14/1974	660	MEMO OF 1ST PROD-ALLOC	/1/COC56789	
09/02/1974	643	PRODUCTION DETERMINATION	/1/	
09/15/1974	102	ACCOUNT TRFD TO AFS	EFF 8-14-74	
01/04/1975	510	KMA CLASSIFIED	LYON FIELD	
03/10/1975	315	RENTAL RATE ADJUSTED	\$2.00;AC	
02/01/1977	246	LEASE COMMITTED TO CA	/B/COC67890	
03/10/1977	658	MEMO OF 1ST PROD-ACTUAL	/2/COC67890;\$20-1	
03/25/1977	643	PRODUCTION DETERMINATION	/2/	
06/02/1977	246	LEASE COMMITTED TO CA	/C/COC45678	
06/07/1977	660	MEMO OF 1ST PROD-ALLOC	/3/COC45678	
06/30/1977	643	PRODUCTION DETERMINATION	/3/	
01/09/1984	522	CA TERMINATED	COC45678	
01/09/1984	647	MEMO OF LAST PROD-ALLOC	/4/COC45678	
01/30/1984	643	PRODUCTION DETERMINATION	/4/	
02/10/1984	235	EXTENDED	THROUGH 1-9-86	
06/10/1985	522	CA TERMINATED	COC67890	
06/10/1985	646	MEMO OF LAST PROD-ACTUAL	/5/COC67890;\$20-1	
06/30/1985	643	PRODUCTION DETERMINATION	/5/	
09/02/1985	235	EXTENDED	THROUGH 6-10-87	
01/02/1988	235	EXTENDED	THROUGH 1-2-90	
01/02/1988	522	CA TERMINATED	COC56789	
01/02/1988	647	MEMO OF LAST PROD-ALLOC	/6/COC56789	
01/02/1988	649	LEASE PAYING MIN ROYALTY		
01/29/1988	643	PRODUCTION DETERMINATION	/6/	
01/02/1990	763	EXPIRES		

COMMENTS:

01 /A/CO050P0877C101
02 /B/CO050P0877C103
03 /C/CO050P0877C105

STATE	ENTITY	ACRES
COLORADO	GRAND JUNCTION DISTRICT	
COLORADO	GLENWOOD SPRINGS RA	
COLORADO	GARFIELD COUNTY	

CASE DISPOSITION: 06/01/1971 AUTHORIZED

H-3107-1 - CONTINUATION, EXTENSION, OR RENEWAL OF LEASES

EXAMPLES p. 15

EXAMPLE 4 (COC60004)

Scenario:

The lease is committed to a unit in the last year of its primary term. Prior to the lease expiration, the initial unit well is determined to be non-paying on a unit basis. The lease is extended per conditions set out in the Yates Decision. The lease later is held by location within the producing unit. The lease is later included in two PA's.

Action 1:

The lease is committed to the Blue Mesa Unit (COC23456X) prior to lease expiration, and the lease is extended per conditions set out in the Yates Decision.

Action 2:

The Initial PA within the unit is established. The lease is outside of the PA; all leases committed to the unit are now considered held by production and transferred to AFS.

Action 3:

The second PA (COC23456B) was established and the lease is included within the PA.

Action 4:

The third PA (COC23456C) is established based on a well on this lease.

H-3107-1 - CONTINUATION, EXTENSION, OR RENEWAL OF LEASES

EXAMPLES p. 16

Action 1

06/15/1983 232 LSE COMMITTED TO UNIT COC23456X;Blue Mesa

From the unit approval letter it is determined that the entire lease is committed to the Blue Mesa Unit, serialized as COC23456X.

07/20/1983 657 EXT BY PROD (YATES DEC) COC23456X

Lease COC60004 is due to expire July 31, 1983. The initial unit well was determined to be non-paying on a unit basis. However, it was determined to be capable of paying on a leasehold basis. The non-paying determination letter stated all leases committed to the unit agreement that are due to expire are extended per the Yates Decision. At this time the 657 code is entered on only those leases that are held from expiration due to the Yates Decision. The serial number of the unit is entered in Action Remarks.

From this SRP the reader can determine:

1. The lease is committed to the Blue Mesa Unit, serialized as COC23456X, effective June 15, 1983.
2. Conditions existed that provided for the lease to be extended per conditions set out in the Yates Decision on July 20, 1983. The lease will be extended by this provision until the unit terminates or the initial PA is established.
3. Rentals are still due to BRASS at 50. per acre and must be paid in a timely manner.

Example 4 (COC60004)

H-3107-1 - CONTINUATION, EXTENSION, OR RENEWAL OF LEASES

USDI * BUREAU OF LAND MANAGEMENT COLORADO STATE OFFICE

SERIAL REGISTER PAGE

GEO STATE: COLORADO SERIAL NO: COC 60004
 CASE TYPE: 311111 OIL-GAS LEASE (NC, PD)
 LEGAL REF: O&G LEASE (NC, PD): ACT 2/25/1920, 30 COMMODITY: OIL & GAS

NAME	ADDRESS	% INTRST INTEREST
ABC CORPORATION	2850 YOUNGFIELD ST LAKEWOOD, CO 80215	100.00000 LESSEE

M_	TOWN	RANGE	SEC	SUBDIVISION	SURFACE MGMT AGENCY
23	34.0N	6.0W	29	PROT ALL	
			30	PROT ALL	

***** TOTAL ACRES: 1484.000 *****

ACTN DATE	CODE	ACTION	ACTION REMARKS	PEND ACT
09/06/1972	124	APLN RECEIVED		
08/01/1973	868	EFFECTIVE DATE		
06/15/1983	232	LEASE COMMITTED TO UNIT	COC23456X:BLUE MESA	
07/20/1983	657	EXT BY PROD (YATES DEC)	COC23456X	

STATE	ENTITY	ACRES
COLORADO	MONTROSE DISTRICT	
COLORADO	SAN JUAN RA	
COLORADO	ARCHULETA COUNTY	

CASE DISPOSITION: 08/01/1973 AUTHORIZED

H-3107-1 - CONTINUATION, EXTENSION, OR RENEWAL OF LEASES

EXAMPLES p. 17

Action 2

09/02/1983 653 HELD BY LOC IN PROD UNIT

Enter the effective date of the initial PA. When the initial PA of the unit is established, all of the leases committed to the unit are considered held by production. This lease is outside of the PA and receiving no allocation, so code 653 is the primary code.

09/02/1983 659 LOCATED IN PRODUCING UNIT /1/COC23456X

Enter the effective date of the initial PA. In Action Remarks enter the unit serial number. The new code represented here by the 659 code creates the historical record of production sources. Use in conjunction with code 643.

09/20/1983 643 PRODUCTION DETERMINATION /1/

Use in conjunction with code 659.

From this SRP the reader can determine:

1. The lease was committed to the Blue Mesa Unit, serialized as COC23456X, effective June 15, 1983.
2. The lease was about to expire; however, on July 20, 1983, conditions existed that provided for the lease to be extended per the Yates Decision. Because of this extension, eleventh year rentals are due to BRASS, in the amount of 50. per acre, on or before August 1, 1983.
3. The initial PA was established effective September 2, 1983, and the lease was transferred to AFS on October 2, 1983, effective September 2, 1983. Rentals of 50. per acre are still due, but now to AFS.
4. The lease is held by the production within the unit, but has no production on the lease or attributed to the lease.

Example 4 (COC60004)

H-3107-1 - CONTINUATION, EXTENSION, OR RENEWAL OF LEASES

USDI * BUREAU OF LAND MANAGEMENT COLORADO STATE OFFICE

SERIAL REGISTER PAGE

GEO STATE: COLORADO SERIAL NO: COC 60004
 CASE TYPE: 311111 OIL-GAS LEASE (NC, PD)
 LEGAL REF: O&G LEASE (NC, PD): ACT 2/25/1920, 30 COMMODITY: OIL & GAS

NAME	ADDRESS	% INTRST INTEREST
ABC CORPORATION	2850 YOUNGFIELD ST LAKEWOOD, CO 80215	100.00000 LESSEE

M	TOWN	RANGE	SEC	SUBDIVISION	SURFACE MGMT AGENCY
23	34.0N	6.0W	29	PROT ALL	
			30	PROT ALL	

***** TOTAL ACRES: 1484.000 *****

ACTN DATE	CODE	ACTION	ACTION REMARKS	PEND ACT
09/06/1972	124	APLN RECEIVED		
08/01/1973	868	EFFECTIVE DATE		
06/15/1983	232	LEASE COMMITTED TO UNIT	COC23456X;BLUE MESA	
07/20/1983	657	EXT BY PROD (YATES DEC)	COC23456X	
09/02/1983	653	HELD BY LOC IN PROD UNIT		
09/02/1983	659	LOCATED IN PROD UNIT	/1/COC23456X	
09/20/1983	643	PRODUCTION DETERMINATION	/1/	
10/02/1983	102	ACCOUNT TFRD TO AFS	EPF 9-2-83	

STATE	ENTITY	ACRES
COLORADO	MONTROSE DISTRICT	
COLORADO	SAN JUAN RA	
COLORADO	ARCHULETA COUNTY	

CASE DISPOSITION: 08/01/1973 AUTHORIZED

H-3107-1 - CONTINUATION, EXTENSION, OR RENEWAL OF LEASES

EXAMPLES p. 18

Action 3

02/02/1984 651 HELD BY PROD - ALLOCATED

From the PA approval letter and Schedule B, it is determined that the lease has now been included within a PA. The well is not on this lease, but it is receiving allocated production from the PA. Code 653 is removed and code 651 is entered using the effective date of the PA. The allocated production (651) supersedes held by location in a producing unit (653).

02/02/1984 660 MEMO OF 1ST PROD - ALLOC /2/COC23456B

Enter the effective date of the PA and the PA serial number in Action Remarks. Production has to have been established to form a PA; therefore in this case the establishment of the PA is the same as a Memo of First Production. The current production code identifies whether the production is actual or allocated. Use in conjunction with codes 651 and 643.

03/01/1984 643 PRODUCTION DETERMINATION /2/

Use in conjunction with code 660.

From this SRP the reader can determine:

1. The lease is committed to the Blue Mesa Unit, serialized as COC23456X, effective June 15, 1983.
2. The lease was about to expire; however, on July 20, 1983, conditions existed that provided for the lease to be extended per the Yates Decision. Because of this extension, eleventh year rentals are due to BRASS, in the amount of 50. per year, on or before August 1, 1983.
3. The initial PA was established effective September 2, 1983, and the lease was transferred to AFS on October 2, 1983, effective September 2, 1983. Rentals of 50. per acre were due to AFS for lease year August 1, 1983.
4. The lease was included within PA COC23456B on February 2, 1984.
5. The lease is a producing lease.
6. The primary source of production is allocated production.
7. Beginning with lease year August 1, 1984, rental of 50. per acre is due on the lands outside the PA and minimum royalty or royalty is due on those lands within the PA (the exact acreage can be determined by looking at the SRP for the PA).
8. Part or all of the lands have been determined to be within the Burns Field KGS and the rental rate was increased to \$2.00 per acre should any of the KGS lands return to a rental status on BRASS.

Example 4 (COC60004)

H-3107-1 - CONTINUATION, EXTENSION, OR RENEWAL OF LEASES

USDI * BUREAU OF LAND MANAGEMENT COLORADO STATE OFFICE

SERIAL REGISTER PAGE

GEO STATE: COLORADO SERIAL NO: COC 60004
CASE TYPE: 311111 OIL-GAS LEASE (NC, PD)
LEGAL REF: O&G LEASE (NC, PD): ACT 2/25/1920, 30 COMMODITY: OIL & GAS

NAME	ADDRESS	% INTRST INTEREST
ABC CORPORATION	2850 YOUNGFIELD ST LAKEWOOD, CO 80215	100.00000 LESSEE

M	TOWN	RANGE	SEC	SUBDIVISION	SURFACE MGMT AGENCY
23	34.0N	6.0W	29	PROT ALL	
			30	PROT ALL	

***** TOTAL ACRES: 1484.000 *****

ACTN DATE	CODE	ACTION	ACTION REMARKS	PEND ACT
09/06/1972	124	APLN RECEIVED		
08/01/1973	868	EFFECTIVE DATE		
06/15/1983	232	LEASE COMMITTED TO UNIT	COC23456X;BLUE MESA	
07/20/1983	657	EXT BY PROD (YATES DEC)	COC23456X	
09/02/1983	659	LOCATED IN PROD UNIT	/1/COC23456X	
09/20/1983	643	PRODUCTION DETERMINATION	/1/	
10/02/1983	102	ACCOUNT TRFD TO AFS	EFF 9-2-83	
02/02/1984	651	HELD BY PROD (ALLOCATED)		
02/02/1984	660	MEMO OF 1ST PROD-ALLOC	/2/COC23456B	
03/01/1984	643	PRODUCTION DETERMINATION	/2/	
06/10/1984	510	KMA CLASSIFIED	BURNS FIELD	
08/02/1984	315	RENTAL RATE ADJUSTED	\$2.00:AC	

STATE	ENTITY	ACRES
COLORADO	MONTROSE DISTRICT	
COLORADO	SAN JUAN RA	
COLORADO	ARCHULETA COUNTY	

CASE DISPOSITION: 08/01/1973 AUTHORIZED

CASE DISPOSITION: 08/01/1973 AUTHORIZED

H-3107-1 - CONTINUATION, EXTENSION, OR RENEWAL OF LEASES

EXAMPLES p. 19

Action 4

05/04/1985 650 HELD BY PROD - ACTUAL

From the PA approval letter, it is determined that the PA well is on the lease. Since actual production supersedes allocated production, the 651 code is deleted and the 650 code is entered, using the PA effective date.

05/04/1985 658 MEMO OF 1ST PROD - ACTUAL /3/COC23456C;#30-1

Enter the PA effective date and the PA serial number and well number in Action Remarks. Use in conjunction with codes 650 and 643.

06/03/1985 643 PRODUCTION DETERMINATION /3/

Use in conjunction with code 658.

From this SRP the reader can determine:

1. The lease is committed to the Blue Mesa Unit, serialized as COC23456X, effective June 15, 1983.
2. The lease was about to expire. However, on July 20, 1983, conditions existed that provided for the lease to be extended per the Yates Decision. Because of this extension, eleventh year rentals are due to BRASS, in the amount of 50. per year, on or before August 1, 1983.
3. The initial PA was established effective September 2, 1983, and the lease was transferred to AFS on October 2, 1983, effective September 2, 1983. Rentals of 50. per acre were due to AFS for lease year August 1, 1983.
4. The lease was included within PA COC23456B on February 2, 1984.
5. The lease is a producing lease.
6. Beginning with lease year August 1, 1984, rental of 50. per acre is due on the lands outside the PA and minimum royalty or royalty is due on those lands within the PA's (the exact acreage can be determined by looking at the SRP's for the PA's).
7. Part or all of the lands have been determined to be within the Burns Field KGS and the rental rate was increased to \$2.00 per acre should any of the KGS lands return to a rental status on BRASS.
8. PA COC23456C was established based on a well number 30-1 that is on this lease, effective May 4, 1984.
9. The primary source of production is now actual.

Example 4 (COC60004)

H-3107-1 - CONTINUATION, EXTENSION, OR RENEWAL OF LEASES

EXAMPLES p. 20

10. This lease will most likely not return to BRASS because it has a producing well on it.
11. Although the lease has a producing well on it, not all of the lands are necessarily paying minimum royalty. If there are still some lands that are not included within a PA, those lands will still pay rentals at 50. per acre.

Example 4 (CO60004)

H-3107-1 - CONTINUATION, EXTENSION, OR RENEWAL OF LEASES

USDI * BUREAU OF LAND MANAGEMENT COLORADO STATE OFFICE

SERIAL REGISTER PAGE

GEO STATE: COLORADO SERIAL NO: COC 60004
CASE TYPE: 311111 OIL-GAS LEASE (NC, PD)
LEGAL REF: O&G LEASE (NC, PD): ACT 2/25/1920, 30 COMMODITY: OIL & GAS

NAME	ADDRESS	% INTRST INTEREST
ABC CORPORATION	2850 YOUNGFIELD ST LAKEWOOD, CO 80215	100.00000 LESSEE

M	TOWN	RANGE	SEC	SUBDIVISION	SURFACE MGMT AGENCY
23	34.0N	6.0W	29	PROT ALL	
			30	PROT ALL	

***** TOTAL ACRES: 1484.000 *****

ACTN DATE	CODE	ACTION	ACTION REMARKS	PEND ACT
09/06/1972	124	APLN RECEIVED		
08/01/1973	868	EFFECTIVE DATE		
06/15/1983	232	LEASE COMMITTED TO UNIT	COC23456X:BLUE MESA	
07/20/1983	657	EXT BY PROD (YATES DEC)	COC23456X	
09/02/1983	659	LOCATED IN PROD UNIT	/1/COC23456X	
09/20/1983	643	PRODUCTION DETERMINATION	/1/	
10/02/1983	102	ACCOUNT TFRD TO AFS	EFF 9-2-83	
02/02/1984	660	MEMO OF 1ST PROD-ALLOC	/2/COC23456B	
03/01/1984	643	PRODUCTION DETERMINATION	/2/	
06/10/1984	510	KMA CLASSIFIED	BURNS FIELD	
08/02/1984	315	RENTAL RATE ADJUSTED	\$2.00;AC	
05/04/1985	650	HELD BY PROD (ACTUAL)		
05/04/1985	658	MEMO OF 1ST PROD-ACTUAL	/3/COC23456C:#30-1	
06/03/1985	643	PRODUCTION DETERMINATION	/3/	

STATE	ENTITY	ACRES
COLORADO	MONTROSE DISTRICT	
COLORADO	SAN JUAN RA	
COLORADO	ARCHULETA COUNTY	

CASE DISPOSITION: 08/01/1973 AUTHORIZED

H-3107-1 - CONTINUATION, EXTENSION, OR RENEWAL OF LEASES

ADDITIONAL GUIDANCE* Special or Unique Situations

Over the life of a lease a number of special or unique situations or actions may occur. These may be a result of unique drilling or production conditions, special lease or agreement requirements, or in some cases, actions which were taken either in error or not in conformance with the existing program policy. Although abstracting and coding of lease data may reveal unusual situations or errors that may need corrective actions, such corrective actions are not necessary for the entry of data. Whether such situations result from error or unusual conditions, the lease coding needs to follow the data standards as closely as possible in order to maintain data consistency. In those instances where additional information not specifically required by the instructions is deemed necessary to reflect the unique or unusual actions that took place, this information should be included in the General Remarks. An alpha tie in Action Remarks, with a brief statement made in General Remarks explaining the nature of the unique or unusual action or situation.

* Documentation Missing from Case File

In some cases the standard documentation required for data entry is not in the case file. This may occur because either the original document is missing from the case file or the documentation may never have been required to be created for such actions. In such instances, the case abstractor needs to make a best estimate of when the action took place or should have taken place, and then make a brief explanation in General Remarks. As an example, assume a producing lease case file has no first production memo because either it is missing or it was not required for the lease (such as for prospecting permit leases). In such an example, the appropriate historical first production code (Action Code 658 or 660) should be entered with an alpha tie in Action Remarks to General Remarks. Examples of an explanatory note to include in General Remarks are "/A/ First production memo missing from file, first production date based on District's individual well records" or "/A/ First production memo not required for prospecting permit lease, first production date based on lease issue date being the same as discover date."

* Productive Portions of Leases Segregated or Partially Assigned

When the productive portions of a lease are segregated or partially assigned out, the appropriate current production Action Code 650, 651, or 653 should be removed. However, all the other production codes, including cessation codes, should remain on the parent lease for historical information. For those historical production codes that remain on the parent lease but which no longer apply to the lands remaining, an alpha tie in Action Remarks to General Remarks should explain that the lands covering this action have been transferred, specifying the lease serial number to which they have been transferred. The new lease created by the segregation or assignment, that includes the productive or formerly productive lands, should be coded with the appropriate current production status codes and historical codes using the data standard instructions.

* Marginally Productive Wells

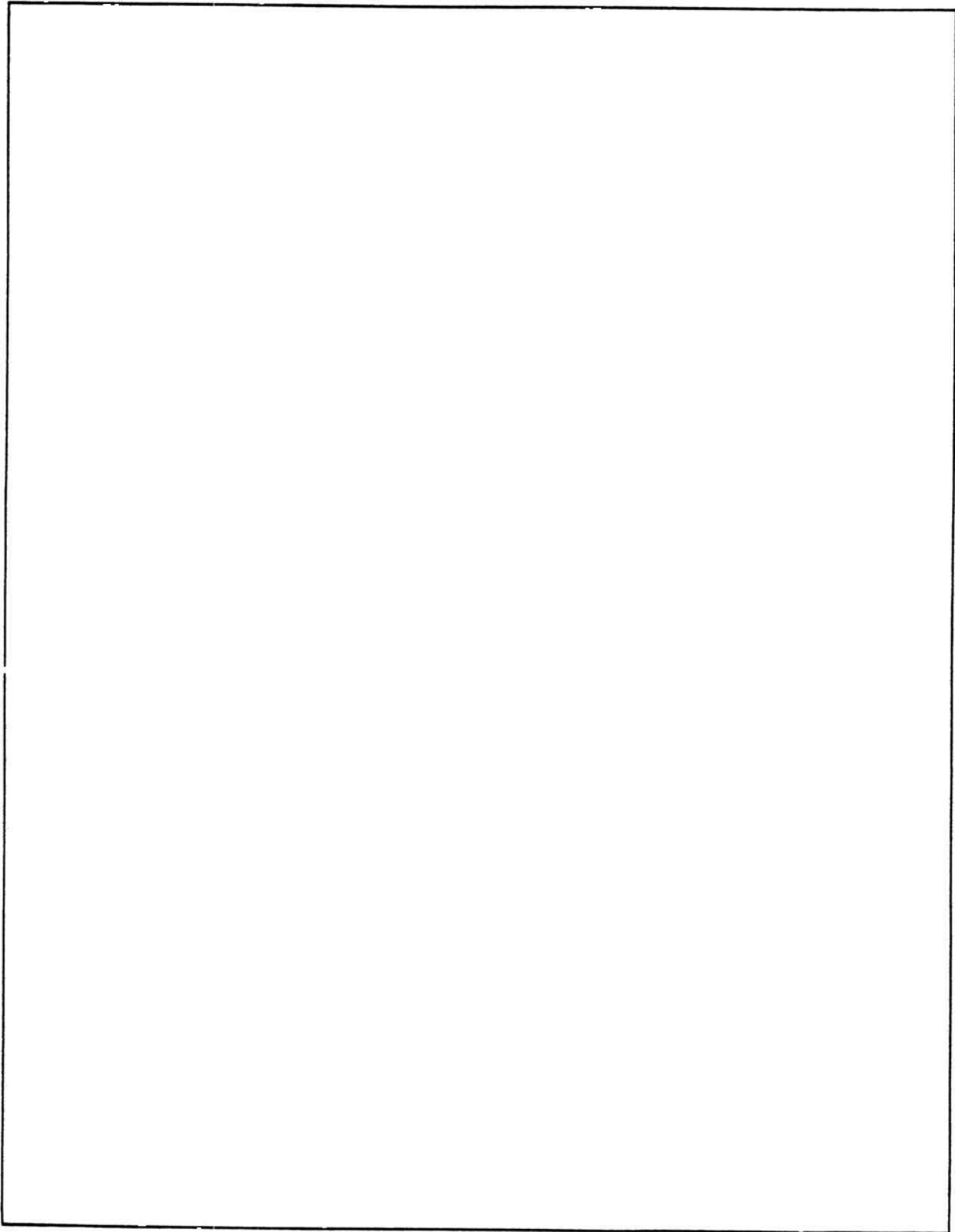
The first production memo for a marginally producing well may indicate a well completion date but not a determination that the well is capable of producing in paying quantities. When this occurs, existing policy requires a subsequent report to be written stating whether the well is capable of producing in paying quantities. In these instances, do not enter a first production code based on the first production memo, but enter the date indicated in the subsequent report that the well is considered capable of production in paying quantities. This guidance applies to Action Codes 650, 651, 658, and 660.\

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* Lease Effective After Action Date

In some rare instances production-related actions may occur prior to the effective date of a lease. For instance, in some cases a CA first production memo or PA approval may apply to lands before they are lease. In such a case, the lease cannot be considered capable of production by such actions prior to the lease being issued. In this case, the date to use for the appropriate production code would be the lease effective date. This same principal applies to all other production-related lease codes. No code's action date is to occur prior to the lease effective date.

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The term also refers to documents whose subject lines do not specifically indicate first production memorandum. Equivalents of first production memoranda include final approvals for secondary recovery units, approvals concerning participating areas (PA) in exploratory units whether the initial PA or a revision/consolidation to a PA, and joinders. Unit segregations and partial assignments where the production source is now located on the newly created lease require the entry of the appropriate historical and production status codes into Case Recordation.

- H -

held by location in a producing unit: a lease that is fully committed to a producing unit but is not located within a participating area.

- J -

joinder: a legal instrument which, when executed, commits the interest of the signatory party to the unit agreement and, in the case of a working interest owner, to the unit operating agreement.

- L -

last production memorandum or its equivalent: a memorandum prepared when the last producible well on or allocated to a lease or communitization/unitization agreement ceases production in paying quantities. This term also refers to documents whose subject lines do not specifically indicate last production memorandum. Equivalents of last production memoranda include approvals concerning the termination of participating areas or communitization/unitization agreements, and unit contractions. Unit segregations and partial assignments, where the production source is no longer located on the base lease, also require an entry in Case Recordation explaining the production source has transferred to another lease.

lease paying minimum royalty: when actual production ceases on a lease that is still in its primary or fixed term, the lease remains subject to minimum royalty and will not revert to a rental (terminable) status for the life of that lease. As a result, the code 649 - LEASE PAYING MIN RLTY, should be entered in Case Recordation.

- O -

or its equivalent: see first production memorandum and/or last production memorandum. This term refers to memoranda whose subject line does not specifically indicate first or last production, but whose function serves the same purpose. The equivalent of a first production memorandum may be a PA approval memorandum. Other equivalents may be a PA consolidation or revision memorandum.

- P -

participating area consolidation: separate participating areas of a unit agreement are often established for the same producing horizon when there is uncertainty as to whether the production is continuous between the two areas. These separate participating areas are consolidated or combined if subsequent information shows them to be producing from a common reservoir.

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- U -

unit agreement: an agreement or plan for development and operation which provides for the recovery of oil and/or gas from the lands made subject to it as a single consolidated entity without regard to separate ownerships and for the allocation of costs and benefits on a basis defined in the agreement or plan.

unit contraction: a unit area may contract either by voluntary action by the unit operator or automatically under the terms of the unit agreement. If after unit approval, additional drilling, production, or geophysical data show that portions of the unit area are not within the limits of the oil and/or gas reservoir, the operator may apply to have the lands contracted out of the unit area. Lands within a unit area are automatically contracted down to the established participating areas either 5 years after the formation of the first participating area, or with continuous development activities, a maximum of 12 years after the formation of the first participating area.

unit expansion: when applying for a unit agreement, the operator proposes a unit area representing a potential oil and/or gas structure or reservoir based on the geologic, geophysical, production, and engineering data available. The authorized officer designates a logical unit area prior to approval of the unit. After unit approval, drilling and production activities and additional geophysical work may show that the limits of the oil and/or gas structure may extend past the unit boundaries. If the operator submits an application for expansion of the unit area and the authorized officer agrees with the proposal, the unit is expanded.

unit segregation: the separation of a Federal lease into two individual leases as a result of unitization. Any lease that covers lands within and outside a unit area that is committed to a unit agreement shall be segregated into separate leases in accordance with the Mineral Leasing Act of 1920, as of the effective date the approval of the unit agreement. One lease will include the committed lands and the other lease will include the lands outside the unit boundary (43 CFR 3107.3-2).

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Listing of ALMRS (Case Recordation) Data Element (DE) 1775 and 2910
Action Codes Applicable to Handbook 3107-1 for CaseTypes 310771, 310781, and
Other Fluid Lease Case Types*

DE 1775

001 Apln Recd/Case Established@#
057 Notice Sent-Prod Status#
058 Notice Sent-Nonprod Stat#
092 Refund Authorized
094 Rental Received
102 Royalty Rate - 12 1/2 %#
176 Authorization Issued#
225 Effective Date#
258 Extended#
622 Renewal Application Filed@#
623 Renewed/Readjusted#
643 Production Determination#
644 Memo of First Prod-Actual#
645 Memo of First Prod-Alloc#
646 Memo of Last Prod-Actual#
647 Memo of Last Prod-Alloc#
648 Ext by Prod on Assoc Lease#
649 Lease Paying Min Royalty#
650 Held by Production-Actual#
651 Held by Production-Allocated#
653 Held by Location in Prod Unit#
654 Located in Producing Unit#
657 Ext by Prod (Yates Decision)#
762 Expired#
763 Expires#
790 Terminated#
970 Case Closed#

DE 2910

387 Case Established@#
102 Notice Sent-Prod Status#
058 Notice Sent-Nonprod Stat#
379 Refund Authorized
111 Rental Received
530 Royalty Rate - 12 1/2 %#
237 Lease Issued#
868 Effective Date#
235 Extended#
314 Renewal Application Filed@#
242 Lease Renewed#
643 Production Determination#
658 Memo of First Prod-Actual#
660 Memo of First Prod-Alloc#
646 Memo of Last Prod-Actual#
647 Memo of Last Prod-Alloc#
648 Ext by Prod on Assoc Lease#
649 Lease Paying Min Royalty#
650 Held by Production-Actual#
651 Held by Production-Allocated#
653 Held by Location in Prod Unit#
659 Located in Producing Unit#
657 Ext by Prod (Yates Decision)#
234 Expired#
763 Expires#
244 Terminated#
970 Case Closed#

* See official fluid leasing data standards for complete listing.
@ Pending Action Required.
Mandatory Use of Action Code Required.

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